
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed “Definitions” in this Offer Document.

If you are in any doubt as to any aspect of this Offer Document or the Offer, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares, you should at once hand this Offer Document, together with the accompanying form of proxy and Form of Acceptance to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or the transfer was effected for onward transmission to the purchaser(s) or transferee(s).

This document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the Offer.

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Red Star Macalline Group Corporation Ltd.

紅星美凱龍家居集團股份有限公司

(A sino-foreign joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1528)

**VOLUNTARY CONDITIONAL CASH OFFER BY
CHINA INTERNATIONAL CAPITAL CORPORATION
HONG KONG SECURITIES LIMITED
ON BEHALF OF
RED STAR MACALLINE GROUP CORPORATION LTD. TO
BUY-BACK UP TO 388,917,038 H SHARES
AT A PRICE OF HK\$11.78 PER H SHARE**

Financial Adviser to the Company



Independent Financial Adviser to the Independent Board Committee



A letter from the Board is set out on pages 7 to 19 of this Offer Document. A letter from CICC containing, among other things, details of the terms of the Offer is set out on pages 20 to 28 of this Offer Document. A letter from the Independent Board Committee to the Shareholders is set out on pages 29 to 30 of this Offer Document. A letter from Halcyon containing its opinion and advice to the Independent Board Committee is set out on pages 31 to 59 of this Offer Document.

Custodians, nominees and trustees who would, or otherwise intend to, forward this Offer Document and/or the accompanying Form of Acceptance to any jurisdiction outside Hong Kong should read carefully the paragraph headed “Overseas H Share Shareholders” in the letter from CICC and in Appendix I to this Offer Document.

A notice convening the AGM of the Company to be held at 1:00 p.m. on 8 June 2018 at Huaxia Hall, Shanghai Ship Hotel, No. 4988 Hangnan Road, Nanqiao Town, Fengxian District, Shanghai, PRC is set out on pages AGM-1 to AGM-4 of this Offer Document. A notice convening the H Share Class Meeting to be held immediately after the conclusion of the A Share Class Meeting on 8 June 2018 at Huaxia Hall, Shanghai Ship Hotel, No. 4988 Hangnan Road, Nanqiao Town, Fengxian District, Shanghai, PRC is set out on pages HCM-1 to HCM-3 of this Offer Document.

The Forms of Acceptance and proxy forms for use at the AGM and the Class Meetings are also enclosed herein. Whether or not you intend to attend the AGM and/or the Class Meetings in person, you are requested to complete the accompanying forms of proxy in accordance with the instructions printed thereon and return it to the Registrar not less than 24 hours before the time appointed for holding the AGM and/or the Class Meetings or any adjourned meeting (as the case may be). Such forms of proxy for use at the AGM and the Class Meetings are also published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://www.chinaredstar.com/EN/>). Completion and return of the forms of proxy will not preclude you from attending and voting at the AGM and/or the Class Meetings or at any adjourned meeting (as the case may be) in person should you so wish.

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

NOTICE TO US INVESTORS

The Offer is being made to buy-back and cancel the H Shares by means of a voluntary conditional cash offer. The financial information included in this Offer Document (if any) has been prepared in accordance with Hong Kong Financial Reporting Standards and/or the China Accounting Standards for Business Enterprises and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

The Offer will be made for the securities of a PRC company and is subject to Hong Kong disclosure and other procedural requirements, which are different from those of the United States securities laws. In addition, US holders of H Shares should be aware that this document has been prepared in accordance with Hong Kong format and style, which differs from United States format and style. The Share will be extended into the United States pursuant to the applicable US tender offer rules or certain available exemption therefrom and otherwise in accordance with the requirements of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong). Accordingly, the Offer will comply with the relevant Hong Kong disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments, which differ from those applicable under US tender offer procedures and law.

The receipt of cash pursuant to the Offer by a US holder of H Shares as consideration for the cancellation of its H Shares pursuant to the Offer may be a taxable transaction for US federal income tax purposes and under applicable US state and local, as well as foreign and other tax laws. Each holder of H Shares is urged to consult his independent professional adviser immediately regarding the tax consequences of the Offer applicable to him.

It may be difficult for US holders of H Shares to enforce their rights and claims arising out of the US federal securities laws, since the Company is located in a country other than the United States, and some or all of its officers and directors may be residents of a country other than the United States. US holders of H Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws.

Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgement.

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EXPECTED TIMETABLE

The timetable set out below is indicative only and is subject to change. It does not form part of the terms of the Offer and any changes thereto will be announced by the Company.

Offer Period begins Thursday, 5 April 2018

Despatch of this Offer Document Tuesday, 24 April 2018

Latest time to lodge form(s) of proxy for
the AGM and/or the Class Meetings 1:00 p.m. on Thursday, 7 June 2018

AGM and Class Meetings 1:00 p.m. on Friday, 8 June 2018

Announcement of the results of the AGM and the Class Meetings
and whether the Offer has become unconditional or lapse Friday, 8 June 2018

Latest time to lodge the Form of Acceptance (*Note 2*) 4:00 p.m. on Friday, 6 July 2018

Record Date (*Note 2*) Friday, 6 July 2018

Final Closing Date (*Note 2*) Friday, 6 July 2018

Announcement of the results of the Offer No later than 7:00 p.m. on Friday, 6 July 2018

Latest date for despatch of cheques to
the accepting Qualifying Shareholders
and (if applicable) despatch of
H Share certificate for those H Shares tendered
but not bought-back under the Offer (*Note 3*) Tuesday, 17 July 2018

Notes:

1. The above timetable assumes that the Offer is approved by the Shareholders at the AGM and/or the Class Meeting(s) and the Conditions are satisfied (or waived, as applicable) resulting in the Offer becoming unconditional on 8 June 2018.
2. Assuming that the Offer is approved by the Shareholders at the AGM and the Class Meetings and the Offer becomes unconditional, the Offer will remain open for acceptance for a period of 28 days thereafter and will not be extended.
3. Remittances for the total amounts due to the accepting Qualifying Shareholders under the Offer (subject to deduction of seller's ad valorem stamp duty payable on the H Shares bought-back from such accepting Qualifying Shareholders) are required be made by the Company within 7 business days of the close of the Offer.
4. All references to date and time contained in this Offer Document refer to Hong Kong time.

DEFINITIONS

In this Offer Document, unless the context otherwise requires, the following expressions have the following meanings:

“A Share(s)”	the ordinary shares issued by the Company with a nominal value of RMB1.00 each, listed on the Shanghai Stock Exchange and traded in RMB
“A Share Class Meeting”	the special general meeting of the A Share Shareholders to be convened, and any adjournment thereof, for the purpose of approving the Offer
“A Share Shareholder(s)”	means the holder(s) of A Share(s)
“acting in concert”	has the meaning ascribed to it under the Takeovers Code, and “persons acting in concert” and “concert parties” should be construed accordingly
“AGM”	the annual general meeting of the Company to be convened and held on 8 June 2018, among other things, to consider and, if thought fit, approve the Offer
“AGM Circular”	the circular dated 24 April 2018 issued by the Company in respect of the 2017 annual general meeting of the Company
“Announcement”	the announcement dated 5 April 2018 issued by the Company in respect of the Offer
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“Assured Entitlement”	the minimum number of H Shares which will be entitled to be sold to the Company pursuant to the Offer by each Qualifying Shareholder, being 36.59% of each Qualifying Shareholder’s holding of H Shares on the Record Date
“Board”	the board of directors of the Company
“CCASS”	The Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited

DEFINITIONS

“CICC”	China International Capital Corporation Hong Kong Securities Limited, the financial adviser to the Company. CICC is a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities
“Class Meetings”	the H Share Class Meeting and the A Share Class Meeting
“Codes”	the Takeovers Code and the Share Buy-backs Code
“Company”	Red Star Macalline Group Corporation Ltd. (紅星美凱龍家居集團股份有限公司), a sino-foreign joint stock company incorporated in the PRC with limited liability, whose H Shares are listed on the main board of The Stock Exchange of Hong Kong Limited (stock code: 1528)
“Conditions”	the conditions to which the Offer is subject as set out under the paragraph headed “Conditions to the Offer” in the letter from CICC contained in this Offer Document
“Corporate Bonds”	corporate bonds issued by the Company with an aggregate principal amount of RMB8 billion
“Director(s)”	the director(s) of the Company
“Domestic Debt Securities”	the Medium Term Notes and the Corporate Bonds
“Excess Number of Shares”	the number of H Shares tendered for acceptance of the Offer by the relevant accepting Qualifying Shareholder which is in excess of his/her/its Assured Entitlement

DEFINITIONS

“Excluded Shareholder(s)”	Overseas H Share Shareholder(s) whose address(es), as shown on the register of members of the Company as at the latest practicable date prior to the publication of this Offer Document, is/are outside Hong Kong and located in a jurisdiction the laws of which may prohibit the making of the Offer to such H Share Shareholder(s) or otherwise require the Company to comply with additional requirements which are (in the opinion of the Directors, but subject to the prior consent of the Executive) unduly onerous or burdensome, having regard to the number of H Share Shareholders involved in that jurisdiction and their shareholdings in the Company. As at the Latest Practicable Date, there were no Excluded Shareholders.
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Final Closing Date”	6 July 2018, being the date on which the Offer closes for acceptance
“Final Dividend Record Date”	21 June 2018, being the record date to be specified in the shareholders’ circular (despatched on 24 April 2018) for the 2017 annual general meeting such that holders of A Shares and H Shares whose names appear on the Company’s register of members on such a date shall be entitled to receive such dividend
“Form(s) of Acceptance”	the form of acceptance for use by the Qualifying Shareholders to accept the Offer
“Group”	the Company together with its subsidiaries
“H Share(s)”	means overseas-listed foreign invested ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which is/are listed on the Stock Exchange and traded in HK\$
“H Share Class Meeting”	the special general meeting of the H Shareholders to be convened, and any adjournment thereof, for the purpose of approving the Offer
“H Share Shareholder(s)”	means the holder(s) of the H Share(s)

DEFINITIONS

“Halcyon” or “Independent Financial Adviser”	Halcyon Capital Limited, a licensed corporation under the SFO, licensed to carry out Type 6 (advising on corporate finance) regulated activities
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	An independent board committee of the Board, comprising CHEN Shuhong, XU Guofeng, Joseph Raymond GAGNON, ZHANG Qiqi, LI Zhenning, DING Yuan, LEE Kwan Hung and QIAN Shizheng, which has been established to advise the Shareholders in respect of the Offer
“Last Trading Day”	3 April 2018, being the last full trading day of the H Shares on the Stock Exchange prior to the publication of the Announcement
“Latest Acceptance Time”	the latest time for receipt by the Registrar of the Forms of Acceptance submitted by the Qualifying Shareholders, being 4:00 p.m. on 6 July 2018, or such later date as the Company may announce in accordance with the requirements of the Codes
“Latest Practicable Date”	20 April 2018, being the latest practicable date prior to the despatch of this Offer Document for the purpose of ascertaining certain information contained in this Offer Document
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Maximum Number of H Shares”	the maximum number of the H Shares to be bought-back pursuant to the Offer, being 388,917,038 H Shares in aggregate, representing approximately 9.87% of the total issued share capital of the Company and approximately 36.59% of the H Share capital of the Company as the Latest Practicable Date
“Medium Term Notes”	medium-term notes issued by the Company with an aggregate principal amount of RMB500 million

DEFINITIONS

“Offer”	the proposed voluntary conditional cash offer to be made by CICC, on behalf of the Company to buy-back up to 388,917,038 H Shares at the Offer Price in cash from the Qualifying Shareholders, subject to the terms and conditions set out in this Offer Document
“Offer Document”	this document which contains, amongst other things, the detailed terms of the Offer, the letter of recommendation from the Independent Board Committee, the letter of advice from the Independent Financial Adviser, the property valuation report and notices of the AGM and the Class Meetings together with the forms of proxy and, for the Qualifying Shareholders only, the Form of Acceptance
“Offer Period”	has the meaning ascribed to it under the Takeovers Code and commencing from the date of the Announcement
“Offer Price”	HK\$11.78 per H Share
“Overseas H Share Shareholder(s)”	H Share Shareholder(s) whose address(es) as shown in the Register as at the Latest Practicable Date is or are outside Hong Kong
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Qualifying Shareholder(s)”	H Share Shareholder(s) whose name(s) appear(s) on the Register on the Record Date
“Record Date”	the record date for the Offer which will be on 6 July 2018
“Register”	the register of members of the Company
“Registrar”	Computershare Hong Kong Investor Services Limited, being the share registrar of the Company, whose address is situated at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong

DEFINITIONS

“Relevant Period”	the period from 4 October 2017, being the date falling six months before the date of the Announcement, up to and including the Latest Practicable Date
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the A Share(s) and the H Share(s)
“Share Buy-backs Code”	the Code on Share Buy-backs
“Shareholder(s)”	the A Share Shareholder(s) and the H Share Shareholder(s) of the Company
“Special Resolution”	means a resolution approved by the votes representing more than two-thirds of the voting rights of the Shareholders voting in person or by proxy at the general meeting(s) and/or the Class Meeting(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Surplus Shares”	being 388,917,038 H Shares less the aggregate number of H Shares in respect of which the Offer is accepted by the accepting Qualifying Shareholders under their respective Assured Entitlements
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong
“Title Documents”	the relevant H Share certificate(s) and/or transfer receipt(s) and/or any document(s) of title with respect to the ownership of the H Share(s) (and/or any satisfactory indemnity or indemnities required in respect thereof)
“%”	per cent.

LETTER FROM THE BOARD



Red Star Macalline Group Corporation Ltd.

紅星美凱龍家居集團股份有限公司

(A sino-foreign joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1528)

Executive Directors:

Mr. Che Jianxing
Ms. Zhang Qi
Ms. Che Jianfang
Mr. Jiang Xiaozhong

Registered office in the PRC:

Suite F801, 6/F
No. 518, Linyu Road
Pudong New District
Shanghai
PRC

Non-executive Directors:

Ms. Chen Shuhong
Mr. Xu Guofeng
Mr. Joseph Raymond Gagnon
Mr. Zhang Qiqi

Principal place of business in Hong Kong:

36/F, Tower 2
Times Square
1 Matheson Street
Causeway Bay, Hong Kong

Independent non-executive Directors:

Mr. Li Zhenning
Mr. Ding Yuan
Mr. Lee Kwan Hung
Mr. Qian Shizheng

24 April 2018

To the Shareholders

Dear Sir or Madam,

**PROPOSED VOLUNTARY CONDITIONAL CASH OFFER BY
CHINA INTERNATIONAL CAPITAL CORPORATION
HONG KONG SECURITIES LIMITED
ON BEHALF OF
RED STAR MACALLINE GROUP CORPORATION LTD. TO
BUY-BACK UP TO 388,917,038 H SHARES
AT A PRICE OF HK\$11.78 PER H SHARE**

LETTER FROM THE BOARD

INTRODUCTION

On 5 April 2018, the Board announced that a voluntary conditional cash offer would be made by CICC on behalf of the Company in compliance with the Share Buy-backs Code, subject to fulfilment of the Conditions, to buy-back for cancellation up to 388,917,038 H Shares, representing approximately 36.59% of the total issued H Share capital of the Company and approximately 9.87% of the total issued share capital of the Company as at the Latest Practicable Date.

The Qualifying Shareholders may accept the Offer by lodging the Forms of Acceptance for the sale of their H Shares to the Company at the Offer Price of HK\$11.78 per H Share.

The Offer is subject to the Conditions including, among other things, the approval of the Offer by the Shareholders at the AGM and the Class Meetings by way of poll. For practical and administrative reasons, the Company, instead of holding an extraordinary general meeting on 8 June 2018 in connection with the Offer as originally disclosed in the Announcement, will arrange for the Special Resolution relating to the Offer to be considered and approved at the AGM to be held on 8 June 2018.

The Company will not make an offer for the A Shares.

Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee comprising CHEN Shuhong, XU Guofeng, Joseph Raymond GAGNON, ZHANG Qiqi, LI Zhenning, DING Yuan, LEE Kwan Hung and QIAN Shizheng has been established by the Board to advise the Shareholders on the terms of the Offer. Halcyon has been appointed as the independent financial adviser by the Company with the approval of the Independent Board Committee to advise the Independent Board Committee in this regard.

The purpose of this Offer Document is to provide you with, among other things, (i) detailed information relating to the Offer; (ii) a letter of recommendation from the Independent Board Committee to the Shareholders regarding the terms of the Offer; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Shareholders regarding the terms of the Offer; (iv) a property valuation report; (v) other information as required under the Codes and the Listing Rules; and (vi) notices of the AGM and the Class Meetings.

The Form of Acceptance accompanying this Offer Document is for use only by the Qualifying Shareholders who wish to accept the Offer.

LETTER FROM THE BOARD

THE OFFER

As disclosed in the Announcement, a voluntary conditional cash offer is being made by CICC on behalf of the Company to buy-back up to 388,917,038 H Shares, representing approximately 36.59% of the total issued H Share capital of the Company and approximately 9.87% of the total issued share capital of the Company as at the Latest Practicable Date from the Qualifying Shareholders on the following basis:

For each H Share. HK\$11.78 in cash

By validly accepting the Offer, Qualifying Shareholders will sell to the Company their tendered H Shares which are finally taken up by the Company free from all encumbrances and together with all rights and benefits at any time accruing thereto, including all rights to any dividend or other distribution (if any) declared, made or paid on or after the closing date of the Offer. Any dividends or other distributions declared, made or paid before the closing date of the Offer will be paid by the Company to the H Share Shareholders who are qualified for such dividends or distributions.

As disclosed in the annual results announcement of the Company dated 28 March 2018, the Board has recommended the payment of a final cash dividend of RMB0.32 per H Share for the year ended 31 December 2017 to H Share Shareholders whose name appear on the Final Dividend Record Date. Accordingly, for Qualifying Shareholders who accept the Offer after the Final Dividend Record Date and whose name appear on the register of members on the Final Dividend Record Date shall be entitled to (i) the final cash dividend (if approved by Shareholders in the 2017 annual general meeting) and (ii) cash consideration of HK\$11.78 per H Share under the Offer. The Final Dividend Record Date falls within the Offer Period.

All the H Shares bought-back under the Offer will be cancelled.

CONDITIONS TO THE OFFER

The Offer is subject to the following conditions being fulfilled:

- (i) the passing of a Special Resolution by the Shareholders approving the Offer and the transactions contemplated thereunder at the AGM by way of poll;
- (ii) the passing of a Special Resolution by the A Share Shareholders and the H Share Shareholders approving the Offer and the transactions contemplated thereunder at the A Share Class Meeting and the H Share Class Meeting respectively;

LETTER FROM THE BOARD

- (iii) approval by holders of Domestic Debt Securities approving the reduction of share capital of the Company in bondholders' meetings, namely:
 - (a) a resolution passed by three fourths of votes of the holders of the Medium-Term Notes present at the meeting of the noteholders in person or by proxies;
 - (b) a resolution passed by a simple majority of the votes of the holders of the Corporate Bonds present at the meeting of the bondholders in person or by proxies,
- (iv) the compliance by the Company with the Listing Rules, the Codes and the statutory laws of Hong Kong and the PRC applicable to the Offer and the transactions contemplated thereunder. As at the Latest Practicable Date, the Directors are not aware of the Company not in compliance with the Listing Rules, the Codes and any applicable statutory laws of Hong Kong and the PRC.

In relation to condition (iii) above, where the bondholders of Domestic Debt Securities do not approve the relevant resolutions in bondholders' meetings, the Company may waive this condition (iii). In such a case, dissenting bondholders of Domestic Debt Securities may request the Company to repurchase bonds held by such dissenting bondholders of Domestic Debt Securities in accordance and in compliance with the terms of conditions of such Domestic Bonds and all applicable laws and regulations.

None of the above conditions (except for condition (iii) above which can be waived by the Company) can be waived. If any of the above conditions cannot be fulfilled (or waived only in relation to condition (iii) by the Company) by the date of the AGM and the Class Meetings, the Offer will lapse.

As at the Latest Practicable Date, the Conditions had not yet been fulfilled or waived.

Acceptances by the Qualifying Shareholders under the Offer will be irrevocable and cannot be withdrawn after the Offer becomes unconditional except as otherwise decided by the Executive pursuant to the Codes. For the avoidance of doubt, Qualifying Shareholders will be entitled to revoke and withdraw their acceptances tendered prior to the date on which the Offer should become unconditional, being the date of the AGM and the Class Meetings at which the relevant resolution to approve the Offer will be proposed.

The Offer is not conditional on any minimum number of the H Shares being tendered for acceptance.

Whether or not the Qualifying Shareholders wish to accept the Offer, they may approve the Offer in the AGM and the Class Meetings to be held in connection with the Offer.

LETTER FROM THE BOARD

THE OFFER PRICE

The Offer Price, being HK\$11.78 per H Share, represents:

- (i) a premium of approximately 17.56% over the closing price of HK\$10.02 per H Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 22.58% over the average closing price of HK\$9.61 per H Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 23.22% over the average closing price of HK\$9.56 per H Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 25.32% over the average closing price of HK\$9.40 per H Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day;
- (v) a premium of approximately 15.04% over the closing price of HK\$10.24 per H Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vi) a discount of approximately 15.43% to the audited consolidated net asset value of the Group attributable to the H Share Shareholders of approximately HK\$13.93 per H Share as at 31 December 2017.

As at the Latest Practicable Date, the Company has 1,062,813,069 H Shares in issue. The Offer for 388,917,038 H Shares is being valued at HK\$4,581,442,707.64 based on the Offer Price of HK\$11.78 per H Share. On the basis of the Offer Price of HK\$11.78 per H Share, the entire market capitalization of H Shares of the Company is valued at approximately HK\$12,519,937,953. Assuming full acceptance of the Offer, the total cash consideration payable by the Company under the Offer will amount to HK\$4,581,442,707.64 which will be financed by internal sources of the Group and committed facilities. The Company has also obtained a RMB1.5 billion loan facility from China Minsheng Banking Corp. Ltd in the People's Republic of China (the "**Minsheng Loan**"). Subject to the Company having obtained the relevant regulatory approvals from the State Administration of Foreign Exchange, the Company intends to drawdown the Minsheng Loan and remit such funds into Hong Kong dollars as partial funding for payment of acceptances to the Offer. The Company may also seek to obtain other debt or loan facilities to partially fund the payment of acceptances to the Offer. If such remittance or alternative funds are not available, the Company will satisfy acceptances of the Offer by way of its internal sources and committed facilities referred to above. In any event, the internal resources and committed facilities shall and will remain in place and readily available for the satisfaction of the payment of the acceptances of Offer.

LETTER FROM THE BOARD

CHANGES IN SHAREHOLDING STRUCTURE

As at the Latest Practicable Date, the Company had 3,938,917,038 Shares in issue. The table below shows the shareholding structure of the Company as at the Latest Practicable Date and the possible changes upon completion of the Offer, on the basis of public information available to the Company as at the Latest Practicable Date and with the assumptions as described below:

Shareholders	As at the Latest Practicable Date			At the completion of the Offer (assuming full acceptance of the Offer by the Qualifying Shareholders in respect of their Assured Entitlements)		
	Shares held in the relevant class ⁽¹⁾	% in the relevant class ⁽¹⁾	% in the total issued share capital ⁽¹⁾	Shares held in the relevant class ⁽¹⁾	% in the relevant class ⁽¹⁾	% in the total issued share capital ⁽¹⁾
A Shares:						
<i>CHE Jianxing (車建興)⁽²⁾⁽³⁾</i>	2,480,315,772	86.24%	62.97%	2,480,315,772	86.24%	69.87%
<i>Shanghai Hong Mei⁽⁴⁾</i>	12,659,994	0.44%	0.32%	12,659,994	0.44%	0.36%
<i>Public A Shares Shareholders</i>	383,128,203	13.32%	9.73%	383,128,203	13.32%	10.79%
H Shares:						
<i>H Shares Public Shareholders</i>	<u>1,062,813,069</u>	100%	<u>26.98%</u>	<u>673,896,031</u>	100%	<u>18.98%</u>
Total	<u>3,938,917,038</u>		<u>100%</u>	<u>3,550,000,000</u>		<u>100%</u>

Notes:

- (1) As at the Latest Practicable Date, the Company had 3,938,917,038 issued Shares in total, comprising of 2,876,103,969 A Shares and 1,062,813,069 H Shares.
- (2) Mr. CHE Jianxing indirectly holds 62.97% of the issued Shares in total of the Company through his 92.00% direct interest in Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) (formerly known as “Shanghai Red Star Macalline Investments Company Limited” (上海紅星美凱龍投資有限公司)) (“RSM Holding”, a limited liability company incorporated in the PRC) and is deemed to be interested in the 2,480,315,772 A Shares held by RSM Holding for the purpose of the SFO. The remaining 8.00% in the share capital of RSM Holding is held by the sister of Mr. CHE Jianxing, Ms. CHE Jianfang, who does not hold any H Shares.
- (3) Ms. CHEN Shuhong is the spouse of Mr. CHE Jianxing. Under the SFO, Ms. CHEN Shuhong is deemed to be interested in the same number of Shares in which Mr. CHE Jianxing is interested.
- (4) Shanghai Hong Mei is a limited partnership established under the laws of the PRC. CHAO Yanping (巢豔萍), a supervisor of the Company and therefore a “core connected person” of the Company, is the general partner of Shanghai Hong Mei. Accordingly, Shanghai Hong Mei, a close associate (as defined in the Listing Rules) of CHAO Yanping, also constitutes a “core connected person” of the Company and therefore, the 12,659,994 A Shares held by Shanghai Hong Mei shall not be counted towards public float of the Company.

LETTER FROM THE BOARD

Save as disclosed above, none of the Directors or the Company or persons acting in concert with the Company owns, controls or directs any Shares or rights over the Shares. The Directors confirm that, as at the Latest Practicable Date, (i) there is no arrangement as referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the H Shares which might be material to the Offer; and (ii) there is no agreement or arrangement to which the Company or any parties acting in concert with it is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer.

There is no existing holding of voting rights and rights over H Shares in respect of which the Company or any person acting in concert with it has received an irrevocable commitment to accept the Offer. As at the Latest Practicable Date, there is no existing holding of voting rights and rights over H Shares in respect of which the Company or any person acting in concert with it holds convertible securities, warrants or options.

As at the Latest Practicable Date, there is no outstanding derivative in respect of securities in the Company entered into by the Company or any person acting in concert with it. No H Shares or securities carrying conversion or subscription rights into H Shares or any options or derivatives in respect of the H Shares have been lent or borrowed by the Company or by any person acting in concert with it.

INFORMATION OF THE GROUP

The Company is a company operating and managing home furnishing shopping malls, the H Shares of which are listed on the Main Board of the Stock Exchange and the A Shares of which are listed on the Shanghai Stock Exchange. The Group is also involved in pan home furnishings consumption, including internet home decoration, internet retails, as well as logistics and delivery services.

REASONS FOR THE OFFER

The Board (other than the independent non-executive Directors who express their opinion in the Letter from the Independent Board Committee having considered the advice from the Independent Financial Adviser) believes that the Offer is in the Company's best interest as:

- (i) *the share price of the H Shares has not sufficiently reflected the Group's robust operating performance*: since the listing of the Company's H Share on the Stock Exchange in June 2015, the closing price of the H Shares, during the period from the listing of the H Shares up to and including the Last Trading Day, has been fluctuating within the range of HK\$5.99 per H Share to HK\$13.66 per H Share (the median being HK\$8.57 per H Share), with no significant increase as compared to the market price of the H Shares upon listing (i.e. HK\$13.28 per H Share). These prices have not sufficiently reflected the Group's robust operating performance;

LETTER FROM THE BOARD

- (ii) *it will provide an exit opportunity for the H Share Shareholders:* the Offer provides an opportunity for those Qualifying Shareholders to dispose of any of their H Shares to realise part of their investments in the Company for an attractive price (i.e. at a premium over the market price of the H Share, without any discount on the lack of liquidity in the trading of the H Shares and without brokerage fee); and
- (iii) *it will enhance the Company's earnings per Share:* the Company's earnings per Share will increase upon the completion of the Offer and cancellation of the H Shares bought-back.

FINANCIAL EFFECTS OF THE OFFER

The following financial information is extracted from the unaudited pro forma financial information of the Group as set out in Appendix III to this Offer Document.

(i) Net asset value

Based on the unaudited pro forma financial information of the Group as set out in Appendix III to this Offer Document, upon completion of the Offer (assuming full acceptance of the Offer and 388,917,038 H Shares had been bought-back on 31 December 2017, for a total consideration of HK\$4,581,442,707.64), the adjusted unaudited pro forma consolidated net assets of the Group attributable to owners of the Company is expected to be as follows:

	Immediately before completion of the Offer <i>RMB</i>	Immediately following completion of the Offer (assuming full acceptance of the Offer by the Qualifying Shareholders in respect of their Assured Entitlements) <i>RMB</i>
Consolidated net assets of the Group attributable to owners of the Company as at 31 December 2017	40,426,771,945.61	40,426,771,945.61
Less: Cash consideration and estimated expenses of the Offer (including the total consideration of the Offer and the estimated related expenses)		(3,848,031,883.32)
Adjusted consolidated net assets of the Group attributable to owners of the Company		36,578,740,062.29 <i>(Note)</i>
Number of Shares in issue	3,623,917,038	3,235,000,000
Adjusted unaudited consolidated net asset value per Share	RMB11.16	RMB11.31

LETTER FROM THE BOARD

Assuming full acceptance of the Offer by the Qualifying Shareholders in respect of their Assured Entitlements, at the Offer Price of HK\$11.78 per H Share, the Offer will involve cash payment by the Company of a total of HK\$4,581,442,707.64. Taking into account the estimated related expenses of approximately RMB18,403,924.00 to be incurred in connection with the Offer, the adjusted unaudited consolidated net asset value of the Group attributable to owners of the Company is expected to be reduced by RMB3,848,031,883.32. Since the Offer Price is lower than the adjusted unaudited net asset value per Share at 31 December 2017, on the basis of the figures above, the Offer would therefore increase the adjusted unaudited consolidated net asset per Share from approximately RMB11.16 to RMB11.31 per Share assuming full acceptance of the Offer for 388,917,038 H Shares.

Note:

The unaudited pro forma adjusted consolidated net assets of the Group attributable to the owners of the Company is arrived at after pro forma adjustments without taking into account of (i) the issuance of 315,000,000 A Shares in January 2018; (ii) dividends of RMB0.32 per share for the year ended 31 December 2017 recommended by the Board, or (iii) any trading results or other transactions of the Group entered into subsequent to 31 December 2017.

(ii) Basic and diluted earnings per Share

Based on the unaudited pro forma financial information of the Group as set out in Appendix III to this Offer Document, the unaudited pro forma consolidated profit attributable to owners of the Company for the year ended 31 December 2017 (assuming full acceptance of the Offer and 388,917,038 H Shares had been bought-back on 1 January 2017) is expected to be as follows:

	Immediately before the completion of the Offer <i>RMB</i>	Immediately following completion of the Offer (assuming full acceptance of the Offer by the Qualifying Shareholders in respect of their Assured Entitlements <i>RMB</i>
Consolidated profit attributable to owners of the Company for the year ended 31 December 2017	4,077,897,749.46	4,077,897,749.46
Number of Shares in issue	3,623,917,038	3,235,000,000
Basic earnings per Share	RMB1.13	RMB1.26

The basic earnings per Share will increase from RMB1.13 to RMB1.26 assuming full acceptance of the Offer for 388,917,038 H Shares. No diluted earnings per Share is presented as there was no dilutive potential ordinary Shares issued by the Company.

LETTER FROM THE BOARD

(iii) Liabilities

The consideration under the Offer and related costs will be paid out of the existing cash resources of the Group and committed facilities. Assuming full acceptance of the Offer, the total cash consideration payable by the Company under the Offer will amount to HK\$4,581,442,707.64 which will be financed by internal sources of the Group and committed facilities. The Company has also obtained the Minsheng Loan. Subject to the Company having obtained the relevant regulatory approvals from the State Administration of Foreign Exchange, the Company intends to drawdown the Minsheng Loan and remit such funds into Hong Kong dollars as partial funding for payment of acceptances to the Offer. The Company may also seek to obtain other debt or loan facilities to partially fund the payment of acceptances to the Offer. If such remittance or funds are not available, the Company will satisfy acceptances of the Offer by way of its internal sources and committed facilities referred to above. In any event, the internal resources and committed facilities shall and will remain in place and readily available for the satisfaction of the payment of the acceptances of Offer. As at 31 December 2017, the Group's audited total liabilities were approximately RMB53,082,650,707.20. Assuming the RMB1.5 billion loan facility was utilised for the Offer by the Group, the Group's total liabilities will increase to approximately RMB54,582,650,707.20. The Board considers that the Offer will have no material adverse effect on the Group's liabilities.

(iv) Working capital

As at 31 December 2017, the Group had cash and cash equivalents of approximately RMB10,269,293,739.45. Assuming full acceptance of the Offer for 388,917,038 H Shares, the total estimated cash payment of the Offer and the total estimated related expenses in relation to the Offer will be HK\$4,581,442,707.64 and approximately RMB18,403,924.00 respectively. Accordingly, the Offer (assuming full acceptance of the Offer of 388,917,038 H Shares) will reduce the working capital available to the Group by up to approximately RMB3,848,031,883.32.

As at 31 December 2017, the Group's net current liabilities (being current liabilities less current assets) was approximately RMB8,149,255,158.79. The Offer (assuming full acceptance of the Offer for 388,917,038 H Shares) will increase the net current liabilities of the Group from approximately RMB8,149,255,158.79 to RMB11,997,287,042.11.

The Directors are of the view that the implementation of the Offer will not have material adverse effect on the working capital of the Group. The Directors confirm that the Group will have sufficient working capital to meet its normal operating requirement after completion of the Offer.

LETTER FROM THE BOARD

INTENTION OF THE COMPANY

It is the intention of the Company to maintain the listing of the H Shares on the Stock Exchange. As at the Latest Practicable Date, the Company has a H Share public float of 26.98%, which is not less than 15.10% of all Shares issued by the Company, the minimum public float requirement as prescribed by the Stock Exchange. Assuming full acceptances of the Offer by all the Qualifying Shareholders, the Company will have a H Share public float of 18.98% of all Shares issued by the Company immediately following the completion of the Offer and accordingly meet the minimum public float requirement as prescribed by the Stock Exchange. The Directors have jointly and severally undertaken to the Stock Exchange on terms required under the Listing Rules to take appropriate steps as soon as possible following the close of the Offer to ensure that a sufficient public float exists in the Shares.

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 15.10% of the Shares, are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) that there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares.

Following the close or lapse of the Offer, as the case may be, the Company intends to continue with the existing businesses of the Group. The Company does not intend to introduce any major changes by reason only of the Offer to the existing operations and management structure of the Group including the continued employment of an employee of the Group and the redeployment of the fixed assets of the Group.

RECOMMENDATION OF THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising CHEN Shuhong, XU Guofeng, Joseph Raymond GAGNON, ZHANG Qiqi, LI Zhenning, DING Yuan, LEE Kwan Hung and QIAN Shizheng has been established to advise the Shareholders on the terms of the Offer. Halcyon has been appointed as the independent financial adviser by the Company with the approval of the Independent Board Committee to advise the Independent Board Committee in this regard.

Your attention is drawn to the letter of recommendation from the Independent Board Committee as set out on pages 29 to 30 of this Offer Document. Your attention is also drawn to the letter of advice from Halcyon as set out on pages 31 to 59 of this Offer Document which contains, among other things, its advice to the Independent Board Committee as to whether the terms of the Offer are fair and reasonable, as to voting on the Offer and as to acceptance of the Offer, and the principal factors and reasons considered by it in arriving at such advice.

LETTER FROM THE BOARD

Halcyon, the independent financial adviser, is of the opinion that the terms of the Offer are fair and reasonable so far as the Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, Halcyon advises the Independent Board Committee to recommend the Shareholders to vote in favour of the Special Resolutions to be proposed at the AGM and the Class Meetings approving the Offer and to accept the Offer.

Having considered the factors and reasons considered by, and the opinion of, Halcyon as stated in its letter of advice, the Independent Board Committee is of the opinion that the terms of the Offer are fair and reasonable as far as the Shareholders are concerned and that the Offer are in the interests of the Company and the Shareholders as a whole. The Independent Board Committee therefore recommends the Shareholders to vote in favour of the proposed resolution to approve the Offer at the Offer Meeting and the Class Meetings. The Independent Board Committee also concurs with the advice of Halcyon and recommends the Shareholders to accept the Offer.

RECOMMENDATION OF THE BOARD

Taking into account the letter from the Independent Board Committee and all other factors as stated above as a whole, the Board is of the opinion that the terms of the Offer are fair and reasonable so far as the Shareholders are concerned. The Board therefore recommends the Shareholders vote in favour of the Special Resolutions to be proposed at the AGM and the Class Meetings approving the Offer and to accept the Offer.

GENERAL

Your attention is also drawn to the terms of the Offer as set out in Appendix I to this Offer Document and the financial and other information as set out in the appendices to this Offer Document.

Shareholders are advised to consider the detailed terms of the Offer and read, among other things, the letter of recommendation from the Independent Board Committee and the letter of advice from CICC contained in this Offer Document before deciding whether to vote for or against the resolution in respect of the Offer to be proposed at the AGM and the Class Meetings. Shareholders should also note that their voting decision on the resolution to be proposed at the AGM and the Class Meetings relating to the Offer shall not affect their investment decision as to whether to accept the Offer or not. If the Shareholders are in any doubt as to any aspect of the Offer or as to the action to take, they should seek independent professional advice.

THE AGM AND THE CLASS MEETINGS

The Offer is conditional upon, among other things, the passing of the Special Resolutions by way of a poll to approve the Offer, either voting in person or by proxy, at the AGM and the Class Meetings.

LETTER FROM THE BOARD

A notice convening the AGM of the Company to be held at 1:00 p.m. at Huaxia Hall, Shanghai Ship Hotel, No. 4988 Hangnan Road, Nanqiao Town, Fengxian District, Shanghai, PRC is set out on pages AGM-1 to AGM-4 of this Offer Document. A notice convening the H Share Class Meeting to be held immediately after the conclusion of the A Share Class Meeting on 8 June 2018 at Huaxia Hall, Shanghai Ship Hotel, No. 4988 Hangnan Road, Nanqiao Town, Fengxian District, Shanghai, PRC is set out on pages HCM-1 to HCM-3 of this Offer Document.

The Forms of Acceptance and proxy forms for use at the AGM and the Class Meetings are also enclosed herein. Whether or not you intend to attend the AGM and/or the Class Meetings in person, you are requested to complete the accompanying forms of proxy in accordance with the instructions printed thereon and return it to the Registrar not less than 48 hours before the time appointed for holding the AGM and/or the Class Meetings or any adjourned meeting (as the case may be). Such forms of proxy for use at the AGM and the Class Meetings are also published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://www.chinaredstar.com/EN/>). Completion and return of the forms of proxy will not preclude you from attending and voting at the AGM and/or the Class Meetings or at any adjourned meeting (as the case may be) in person should you so wish.

In accordance with the requirements of Rule 2.9 of the Takeovers Code and Rule 13.39(4) of the Listing Rules, the votes for the resolution by the Shareholders at the AGM and the Class Meetings must be taken by poll.

Shareholders should note that even if they vote in favour of the resolution to be proposed at the AGM and/or the Class Meetings, they are free nonetheless to accept or not to accept the Offer.

WARNING

The Offer is conditional upon, among other things, the passing of the Special Resolutions by the Shareholders to approve the Offer at the AGM and the Class Meetings by way of poll. If the Offer is not approved by the Shareholders at the AGM and the Class Meetings, the Offer will lapse.

Dealings in the H Shares will continue even in the event the Offer has not yet become unconditional. During such period, persons dealing in the H Shares will bear the risk that the Offer may lapse.

H Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

By order of the Board
Red Star Macalline Group Corporation Ltd.
GUO Binghe
Company Secretary



24 April 2018

To the Shareholders

Dear Sir or Madam,

**PROPOSED VOLUNTARY CONDITIONAL CASH OFFER BY
CHINA INTERNATIONAL CAPITAL CORPORATION
HONG KONG SECURITIES LIMITED
ON BEHALF OF
RED STAR MACALLINE GROUP CORPORATION LTD. TO
BUY-BACK UP TO 388,917,038 H SHARES
AT A PRICE OF HK\$11.78 PER H SHARE**

INTRODUCTION

We, CICC, act as financial adviser to the Company in respect of the Offer. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as defined in the Offer Document.

On 5 April 2018, the Board announced that a voluntary conditional cash offer would be made by CICC on behalf of the Company in compliance with the Share Buy-backs Code, subject to fulfilment of the Conditions, to buy-back for cancellation up to 388,917,038 H Shares, representing 36.59% of the total issued H Share capital of the Company and approximately 9.87% of the total issued share capital of the Company as at the Latest Practicable Date. The Qualifying Shareholders may accept the Offer by lodging the Forms of Acceptance for the sale of their H Shares to the Company at the Offer Price of HK\$11.78 per H Share.

The H Shares to be bought-back by the Company will not exceed 388,917,038 H Shares. There is no minimum number of H Shares proposed to be bought-back under the Offer.

This letter sets out the details of the terms of the Offer. Further details of the terms and conditions of the Offer are set out in Appendix I to the Offer Document and the accompanying Form of Acceptance.

THE OFFER

Principal terms of the Offer

As disclosed in the Announcement, a voluntary conditional cash offer is being made by CICC on behalf of the Company to buy-back up to 388,917,038 H Shares, representing approximately 36.59% of the total issued H Share capital of the Company and approximately 9.87% of the total issued share capital of the Company as at the Latest Practicable Date from the Qualifying Shareholders on the following basis:

For each H Share. HK\$11.78 in cash

By validly accepting the Offer, Qualifying Shareholders will sell to the Company their tendered H Shares which are finally taken up by the Company free from all encumbrances and together with all rights and benefits at any time accruing thereto, including all rights to any dividend or other distribution (if any) declared, made or paid on or after the closing date of the Offer. Any dividends or other distributions declared, made or paid before the closing date of the Offer will be paid by the Company to the H Share Shareholders who are qualified for such dividends or distributions.

As disclosed in the annual results announcement of the Company dated 28 March 2018, the Board has recommended the payment of a final cash dividend of RMB0.32 per H Share for the year ended 31 December 2017 to H Share Shareholders whose name appear on the Final Dividend Record Date. Accordingly, for Qualifying Shareholders who accept the Offer after the Final Dividend Record Date and whose name appear on the register of members on the Final Dividend Record Date shall be entitled to (i) the final cash dividend (if approved by Shareholders in the 2017 annual general meeting) and (ii) cash consideration of HK\$11.78 per H Share under the Offer. The Final Dividend Record Date falls within the Offer Period.

All the H Shares bought-back under the Offer will be cancelled.

THE OFFER PRICE

The Offer Price, being HK\$11.78 per H Share, values the entire market capitalization of H Shares of the Company as at the Latest Practicable Date at approximately HK\$12,519,937,953. The Offer Price represents:

- (i) a premium of approximately 17.56% over the closing price of HK\$10.02 per H Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 22.58% over the average closing price of HK\$9.61 per H Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day;

- (iii) a premium of approximately 23.22% over the average closing price of HK\$9.56 per H Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;
- (iv) a premium/discount of approximately 25.32% over the average closing price of HK\$9.40 per H Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day;
- (v) a premium of approximately 15.04% over the closing price of HK\$10.24 per H Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vi) a discount of approximately 15.43% to the audited consolidated net asset value of the Group attributable to the H Share Shareholders of approximately HK\$13.93 per H Share as at 31 December 2017.

As at the Latest Practicable Date, the Company had 1,062,813,069 H Shares in issue. The Offer for 388,917,038 H Shares is being valued at HK\$4,581,442,707.64 based on the Offer Price of HK\$11.78 per H Share. The consideration under the Offer and related costs will be paid out of the existing cash resources of the Group and committed facilities. The Company has also obtained the Minsheng Loan. Subject to the Company having obtained the relevant regulatory approvals from the State Administration of Foreign Exchange, the Company intends to drawdown the Minsheng Loan and remit such funds into Hong Kong dollars as partial funding for payment of acceptances to the Offer. The Company may also seek to obtain other debt or loan facilities to partially fund the payment of acceptances to the Offer. If such remittance or funds are not available, the Company will satisfy acceptances of the Offer by way of its internal sources and committed facilities referred to above. In any event, the internal resources and committed facilities shall and will remain in place and readily available for the satisfaction of the payment of the acceptances of Offer.

The Board and CICC are of the opinion that sufficient financial resources are available to the Company to implement the Offer in full if the Maximum Number of H Shares is bought-back.

ASSURED ENTITLEMENTS AND SCALING DOWN ARRANGEMENT ON EXCESS ACCEPTANCES

The Qualifying Shareholders will be assured of being able to sell the Company under the Offer approximately 36.59% of the H Shares they hold as at the Record Date (to be rounded to the nearest whole number of H Share).

Qualifying Shareholders may accept the Offer in respect of some or all of their holdings of H Shares, subject to the scaling down mechanism described below.

The number of H Shares which may be bought-back from a particular accepting Qualifying Shareholder who tenders more than his/her/its Assured Entitlement may exceed the Assured Entitlement if any other Qualifying Shareholder either tenders no acceptance in respect of the Offer or accepts the Offer in respect of fewer H Shares than is represented by his/her/its Assured Entitlement.

LETTER FROM CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

In the event that the total number of H Shares acceded to the Offer exceeds 388,917,038 H Shares, the Company will buy-back H Shares in excess of the Assured Entitlements of the accepting Qualifying Shareholders in accordance with the following formula (save that the Company may in its absolute discretion round such figure up or down with the intention of avoiding (as far as practicable) H Shares being held by the Qualifying Shareholders in odd lots or fractional entitlements):

$$\frac{(388,917,038 - A) \times C}{B}$$

B

- A: Total number of H Shares in respect of which the Offer is validly accepted by all Qualifying Shareholders up to and including their respective Assured Entitlements. For the avoidance of doubt, “A” excludes any H Shares validly accepted by Qualifying Shareholders in excess of their respective Assured Entitlements. By way of elaboration, in the event that only certain (but not all) of the H Share Shareholders tender their holdings pursuant to the Offer and/or where certain H Share Shareholders accept the Offer to the extent that is less than their respective Assured Entitlements, “A” will be less than 388,917,038 and the formula will produce a result for the Company to buy-back H Shares in excess of the Assured Entitlements for those Qualifying Shareholders who have validly accepted the Offer
- B: Total number of H Shares in respect of which the Offer is validly accepted by Qualifying Shareholders in excess of their Assured Entitlements
- C: Number of H Shares in respect of which the Offer is validly accepted by a particular Qualifying Shareholder in excess of his/her/its Assured Entitlement

As a result, it is possible that if a Qualifying Shareholder tenders all his/her/its H Shares to the Company under the Offer, not all of such H Shares will be taken up eventually. Fractions of H Shares will not be taken up under the Offer and, accordingly, the number of H Shares that the Company will take up from each Qualifying Shareholder in accordance with the above formula will be rounded up or down to the nearest whole number at the discretion of the Company. The decision of the Company as to any scaling down of acceptances of the Offer in excess of the Assured Entitlements and as to the treatment of odd lots or fractional entitlements will be conclusive and binding on all the H Share Shareholders.

In the event that the total number of the H Shares acceded to the Offer is less than or equal to 388,917,038 H Shares, acceptances to the Offer in excess of the Assured Entitlements will be taken up in full.

CONDITIONS TO THE OFFER

The Offer is subject to the following conditions being fulfilled:

- (i) the passing of a Special Resolution by the Shareholders approving the Offer and the transactions contemplated thereunder at the AGM by way of poll;
- (ii) the passing of a Special Resolution by the A Share Shareholders and the H Share Shareholders approving the Offer and the transactions contemplated thereunder at the A Share Class Meeting and the H Share Class Meeting respectively;
- (iii) approval by holders of Domestic Debt Securities approving the reduction of share capital of the Company in bondholders' meetings, namely:
 - (a) a resolution passed by three fourths of votes of the holders of the Medium-Term Notes present at the meeting of the noteholders in person or by proxies;
 - (b) a resolution passed by a simple majority of the votes of the holders of the Corporate Bonds present at the meeting of the bondholders in person or by proxies,
- (iv) the compliance by the Company with the Listing Rules, the Codes and the statutory laws of Hong Kong and the PRC applicable to the Offer and the transactions contemplated thereunder. As at the Latest Practicable Date, the Directors were not aware of the Company not in compliance with the Listing Rules, the Codes and any applicable statutory laws of Hong Kong and the PRC.

In relation to condition (iii) above, where the bondholders of Domestic Debt Securities do not approve the relevant resolutions in bondholders' meetings, the Company may waive this condition (iii). In such a case, dissenting bondholders of Domestic Debt Securities may request the Company to repurchase bonds held by such dissenting bondholders of Domestic Debt Securities in accordance and in compliance with the terms of conditions of such Domestic Bonds and all applicable laws and regulations.

None of the above conditions can be waived (except for condition (iii) above which can be waived by the Company). If any of the above conditions cannot be fulfilled (or waived only in relation to condition (iii) by the Company) by the date of the AGM and the Class Meetings, the Offer will lapse or waived.

As of the Latest Practicable Date, the Conditions had not yet been fulfilled.

Acceptances by the Qualifying Shareholders under the Offer will be irrevocable and cannot be withdrawn after the Offer becomes unconditional except as otherwise decided by the Executive pursuant to the Codes. For the avoidance of doubt, Qualifying Shareholders will be entitled to revoke and withdraw their acceptances tendered prior to the date on which the Offer should become unconditional, being the date of the AGM and the Class Meetings at which the relevant resolution to approve the Offer will be proposed.

OVERSEAS H SHARE SHAREHOLDERS

This Offer Document will not be filed under the applicable securities or equivalent legislation or rules of any jurisdictions other than Hong Kong.

As the Offer to the persons not resident in Hong Kong may be affected by the laws of the relevant jurisdictions, the Overseas H Share Shareholders should inform themselves about and observe all applicable legal or regulatory requirements and, where considered necessary, seek legal advice.

As at the Latest Practicable Date, there was no Overseas H Share Shareholder based on the latest available H Share Shareholders' register and accordingly there is no Excluded Shareholder.

It is the responsibility of each Overseas H Share Shareholder who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required in compliance with all necessary formalities or legal requirements and the payment of any transfer or other taxes due in such relevant jurisdictions. Any acceptance by any Shareholder will be deemed to constitute a representation and warranty from such Shareholder to the Company that the local laws and requirements have been complied with. Shareholders should consult their professional advisers if in doubt.

PROCEDURES FOR ACCEPTANCE

If the Offer is declared unconditional, all Qualifying Shareholders will be able to tender their H Shares for acceptance under the Offer for a period of 28 days thereafter.

In order to accept the Offer, Qualifying Shareholders should complete and return the accompanying Form of Acceptance in accordance with the instructions set out in this Offer Document and the instructions printed on the Form of Acceptance. The instructions set out in this Offer Document should be read together with the instructions printed on the Form of Acceptance (which instructions form part of the terms of the Offer).

The duly completed Form of Acceptance should be forwarded, together with the Title Documents for not less than the number of H Shares in respect of which the relevant Qualifying Shareholder wishes to accept the Offer, by post or by hand to the Registrar, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong in an envelope marked “**Red Star Macalline Group Corporation Ltd – Buy-back Offer**” as soon as possible after receipt of the Form of Acceptance but in any event as to reach the Registrar by no later than 4:00 p.m. on 6 July 2018, or such time and/or date as the Company may, with the prior consent of the Executive, decide and announce.

No Form of Acceptance received after the Latest Acceptance Time will be accepted.

No acknowledgement of receipt of any Form of Acceptance or Title Documents will be given.

Only one Form of Acceptance may be submitted by each Qualifying Shareholder to the Registrar. Acceptances duly received will become irrevocable and cannot be withdrawn after the Offer has been declared unconditional except as otherwise provided for under the Codes.

ODD LOTS

The existing board lot size of 200 H Shares per board lot will remain unchanged after the close of the Offer. Qualifying Shareholders should note that acceptance of the Offer may result in their holding odd lots of H Shares.

STAMP DUTY

Seller’s ad valorem stamp duty at the rate of HK\$1.00 for every HK\$1,000 (or part thereof) of the value of the consideration arising from acceptance of the Offer will be payable by the Qualifying Shareholders who accept the Offer. The relevant amount of stamp duty payable by the Qualifying Shareholders will be deducted from the consideration payable to the Qualifying Shareholders under the Offer. The Company will bear its own portion of buyer’s ad valorem stamp duty at the rate of HK\$1.00 for every HK\$1,000 (or part thereof) of the consideration payable or the market value whichever is higher, in respect of relevant acceptances of the Offer and will be responsible to account to the Stamp Office of Hong Kong for all the stamp duty payable for sale and purchase of the Shares which are validly tendered for acceptance under the Offer.

NOMINEE REGISTRATION OF SHARES

In order for the beneficial owners of the Shares, whose investments are registered in nominee names (including those whose interests in the Shares are held through CCASS), to accept the Offer, it is essential that they provide instructions to their nominee agents of their intentions with regard to the Offer. Qualifying Shareholders with their Shares held by a nominee company may consider whether they would like to arrange registration of the relevant Shares in the names of the beneficial owners.

RESPONSIBILITY FOR DOCUMENTS

All communications, notices, Forms of Acceptance, the Title Documents and remittances to be delivered or sent by, to or from any Shareholder will be delivered or sent by, to and from them, or their designated agents, at their risk and none of the Company, CICC, the Registrar or any of their respective directors or any other persons involved in the Offer accepts any liability for any loss or any other liabilities whatsoever which may rise as a result.

SETTLEMENT

Pursuant to Rule 20.1(b) of the Takeovers Code and given that the date of the AGM and the Class Meetings and the Final Closing Date will not be extended, the Shares represented by acceptances of the Offer shall be paid for by the Company as soon as possible but in any event within 7 business days following the close of the Offer.

Subject to the Offer becoming unconditional and provided that a duly completed Form of Acceptance, accompanied by the Title Documents, is received by the Registrar by no later than the Latest Acceptance Time and is or is deemed to be in order, the Registrar will send, by ordinary post at that accepting Qualifying Shareholder's risk, a remittance for such total amount as is due to that accepting Qualifying Shareholder under the Offer (subject to deduction of seller's ad valorem stamp duty due on the buy-back of the Shares from the amount payable in cash) within 7 business days of the close of the Offer.

If the Excess Number of Shares of an accepting Qualifying Shareholder has not been purchased by the Company in full, the Share certificate in respect of the balance of such Shares therefor will be sent to such accepting Qualifying Shareholder by ordinary post at his/her/its risk within 7 business days of the close of the Offer.

If the Offer does not become unconditional, the Title Documents will be returned and/or sent to each accepting Qualifying Shareholder (by ordinary post at that Qualifying Shareholder's own risk) within 7 business days of the lapse of the Offer. In such an event, the Company will make an announcement in accordance with the Codes and, or, send a notice of lapse of the Offer to the Shareholders. Where any accepting Qualifying Shareholder has sent one or more transfer receipt(s) and in the meantime one or more Share certificate(s) has/have been collected on that Qualifying Shareholder's behalf in respect thereof, that Qualifying Shareholder will be sent (by ordinary post at his/her/its own risk) such Share certificate(s) in lieu of the transfer receipt(s).

TAX IMPLICATIONS

Qualifying Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offer. It is emphasised that none of the Company, its ultimate beneficial owners and parties acting in concert with any of them, CICC, Halcyon, the Registrar or any of their respective directors or any persons involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of his/their acceptance(s) of the Offer.

AGM AND CLASS MEETINGS

A notice convening the AGM to be held at Huaxia Hall, Shanghai Ship Hotel, No. 4988 Hangnan Road, Nanqiao Town, Fengxian District, Shanghai, PRC on 8 June 2018 at 1:00 p.m., at which a Special Resolution will be proposed for the purposes of considering and, if thought fit, approving this Offer, is set out on pages AGM-1 to AGM-4 of this Offer Document. A notice convening the H Share Class Meeting to be held at Huaxia Hall, Shanghai Ship Hotel, No. 4988 Hangnan Road, Nanqiao Town, Fengxian District, Shanghai, PRC on 8 June 2018 immediately after the conclusion of the A Share Class Meeting, at which a Special Resolution will be proposed for the purposes of considering and, if thought fit, approving this Offer, is set out on pages HCM-1 to HCM-3 of this Offer Document.

GENERAL

Shareholders are strongly advised to consider carefully the information in the letter from the Board, the recommendation of the Independent Board Committee and the advice from Halcyon contained in this Offer Document, and to consult their professional advisers as they see fit.

Your attention is also drawn to the information set out in the appendices to this Offer Document which form part of this Offer Document.

Yours faithfully,

For and on behalf of
China International Capital Corporation
Hong Kong Securities Limited

Barry Chan **Chen Yongren**
Managing Director *Managing Director*



Red Star Macalline Group Corporation Ltd.

紅星美凱龍家居集團股份有限公司

(A sino-foreign joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1528)

24 April 2018

To the Shareholders

Dear Sir and Madam,

**PROPOSED VOLUNTARY CONDITIONAL CASH OFFER BY
CHINA INTERNATIONAL CAPITAL CORPORATION
HONG KONG SECURITIES LIMITED
ON BEHALF OF
RED STAR MACALLINE GROUP CORPORATION LTD. TO
BUY-BACK UP TO 388,917,038 H SHARES
AT A PRICE OF HK\$11.78 PER H SHARE**

We have been appointed as members of the Independent Board Committee to advise you in respect of the Offer. Details of the Offer are set out in the letter from the Board contained in the document of the Company dated 24 April 2018 (the “**Offer Document**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Offer Document unless the context requires otherwise.

Your attention is drawn to the letter from CICC set out on pages 20 to 28 of the Offer Document and Appendix I to the Offer Document containing the terms and conditions of the Offer, and the letter of advice from Halcyon set out on pages 31 to 59 of the Offer Document, which contains its advice to us in respect of the Offer, as well as the principal factors and reasons for its advice.

Having considered the factors and reasons considered by, and the opinion of, Halcyon as stated in the aforementioned letter of advice, we are of the opinion that the terms of the Offer are fair and reasonable so far as the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Shareholders to vote in favour of the proposed resolution to approve the Offer at the AGM and the Class Meetings.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We also concur with the advice of Halcyon and recommend the Qualifying Shareholders to accept the Offer. Notwithstanding our recommendations, as different H Share Shareholders would have different investment criteria, objectives, risk preference and tolerance level and/or circumstances, we would recommend any Qualifying Shareholder who may require advice in relation to any aspect of the Offer, or as to the action to be taken, to consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant, tax adviser or other professional adviser. The Qualifying Shareholders, in particular those who intend to accept the Offer, are reminded to note the recent fluctuation in the H Share price after the release of the Announcement, and that there is no guarantee that the current market price of the H Share will be lower than the Offer Price during and after the close of the Offer.

Yours faithfully,

Independent Board Committee

Red Star Macalline Group Corporation Ltd.

CHEN Shuhong

XU Guofeng

Joseph Raymond GAGNON

ZHANG Qiqi

Non-executive Director

LI Zhenning

DING Yuan

LEE Kwan Hung

QIAN Shizheng

Independent non-executive Directors

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Halcyon Capital Limited to the Independent Board Committee which has been prepared for the purpose of inclusion in this Offer Document.



Halcyon Capital Limited
11th Floor
8 Wyndham Street
Central
Hong Kong

24 April 2018

To: the Independent Board Committee

Dear Sirs,

**VOLUNTARY CONDITIONAL CASH OFFER BY CHINA INTERNATIONAL
CAPITAL CORPORATION HONG KONG SECURITIES LIMITED
ON BEHALF OF
RED STAR MACALLINE GROUP CORPORATION LTD.
TO BUY-BACK UP TO 388,917,038 H SHARES
AT A PRICE OF HK\$11.78 PER H SHARE**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee in relation to the voluntary conditional cash offer being made by CICC on behalf of the Company to buy-back up to 388,917,038 H Shares in the Company. Details of the Offer are contained in the letter from the Board (the “**Letter from the Board**”) and the letter from CICC (the “**Letter from CICC**”) contained in the Offer Document dated 24 April 2018, of which this letter forms part. Terms defined in the Offer Document shall have the same meanings in this letter unless the context otherwise requires.

The Board has established the Independent Board Committee, comprising Ms. Chen Shuhong, Mr. Xu Guofeng, Mr. Joseph Raymond Gagnon, Mr. Zhang Qiqi, Mr. Li Zhenning, Mr. Ding Yuan, Mr. Lee Kwan Hung and Mr. Qian Shizheng (being all the non-executive Directors who have no direct or indirect interest in the Offer), to advise the H Share Shareholders in respect of the Offer. We have been appointed as independent financial adviser to advise the Independent Board Committee as to whether the terms of the Offer are fair and reasonable and as to voting on the Offer and as to acceptance of the Offer.

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

OUR INDEPENDENCE

We are not associated with any of the Company or their respective controlling shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Offer. There was no business relationship between the Company, and its associated companies, and us in the past two years. Apart from normal professional fees payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from any of the Company or its controlling shareholder or any party acting, or presumed to be acting, in concert with any of them.

BASIS OF OPINION

In formulating our recommendation, we have relied on the information and facts provided, and the opinions expressed, by the Directors and the management of the Company and contained or referred to in the Offer Document. The Directors have declared in a responsibility statement set out in Appendix V to the Offer Document that they jointly and severally accept full responsibility for the accuracy of the information contained in the Offer Document. We have assumed that the information and representations provided to us by the Directors and the management of the Company or contained or referred to in the Offer Document were true and accurate at the time they were made and as at the date of the Offer Document. The H Share Shareholders will be informed as soon as reasonably practicable afterwards if we become aware of any material change to the above during the period from the date of the Offer Document and up to the close of the Offer. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. In particular, we have reviewed published information on the Group, including its annual report for the year ended 31 December 2016 and annual results announcement for the year ended 31 December 2017 (“**2016 Annual Report**” and “**2017 Results Announcement**”, respectively); we have discussed with Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the independent property valuer appointed by the Company, the bases and assumptions for their valuation as at 28 February 2018 of the Group’s property interests, which are contained in Appendix IV to the Offer Document; we have also reviewed the trading performance of the H Shares on the Stock Exchange since 1 January 2016; and we have also reviewed certain statistics and reports published by National Bureau of Statistics of the PRC and the World Bank Group. The Directors also believed that there are no other facts not contained in the Offer Document, the omission of which would make any statement in the Offer Document misleading. We consider that we have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company or any of its subsidiaries and associates. We have not considered the tax implication on the H Share Shareholders of their acceptances or non-acceptances of the Offer since this is particular to their own individual circumstances. In particular, the H Share Shareholders who are resident outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position with regard to the Offer and, if in doubt, should consult their own professional advisers.

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

BACKGROUND AND PRINCIPAL TERMS OF THE OFFER

On 5 April 2018, the Company published an announcement (the “**Announcement**”) notifying the H Share Shareholders and investors that, among other things, the Board resolved on 4 April 2018 for a conditional voluntary cash offer to be made by CICC on behalf of the Company to buy-back for cancellation up to 388,917,038 H Shares, representing approximately 36.59% of the total issued H Share capital of the Company and approximately 9.87% of the total issued share capital of the Company as at the Latest Practicable Date from the Qualifying Shareholders on the following basis:

For each H Share. HK\$11.78 in cash

As stated Appendix I to the Offer Document, the Company will not increase the Offer Price. **The H Share Shareholders and potential investors should be aware that, following the making of this statement, the Company will not be allowed to increase the Offer Price. The Company does not reserve the right to increase the Offer Price.** For avoidance of doubt, this means that the Offer Price will not be adjusted by the payment of final dividend for the year 2017 (whether or not approved at the annual general meeting of the Company to be held on or around 8 June 2018).

By validly accepting the Offer, Qualifying Shareholders will sell to the Company their tendered H Shares which are finally taken up by the Company free from all encumbrances and together with all rights and benefits at any time accruing thereto, including all rights to any dividend or other distribution (if any) declared, made or paid on or after the closing date of the Offer. Any dividends or other distributions declared, made or paid before the closing date of the Offer will be paid by the Company to the H Share Shareholders who are qualified for such dividends or distributions.

As disclosed in the annual results announcement of the Company dated 28 March 2018, the Board has recommended the payment of a final cash dividend of RMB0.32 per H Share for the year ended 31 December 2017 to H Share Shareholders whose name appear on the Final Dividend Record Date. As disclosed in the Letter from the Board, the Final Dividend Record Date falls within the Offer Period. Accordingly, for Qualifying Shareholders who accept the Offer after the Final Dividend Record Date and whose name appear on the register of members on the Final Dividend Record Date shall be entitled to (i) the final cash dividend (if approved by Shareholders in the 2017 annual general meeting) and (ii) cash consideration of HK\$11.78 per H Share under the Offer.

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

Conditions

The Offer is subject to the following conditions being fulfilled:

- (i) the passing of a Special Resolution by the Shareholders approving the Offer and the transactions contemplated thereunder at the AGM by way of poll;
- (ii) the passing of a Special Resolution by the A Share Shareholders and the H Share Shareholders approving the Offer and the transactions contemplated thereunder at the A Share Class Meeting and the H Share Class Meeting respectively;
- (iii) approval by holders of Domestic Debt Securities approving the reduction of share capital of the Company in bondholders' meetings, namely:
 - (a) a resolution passed by three fourths of votes of the holders of the Medium-Term Notes present at the meeting of the noteholders in person or by proxies;
 - (b) a resolution passed by a simple majority of the votes of the holders of the Corporate Bonds present at the meeting of the bondholders in person or by proxies,
- (iv) the compliance by the Company with the Listing Rules, the Codes and the statutory laws of Hong Kong and the PRC applicable to the Offer and the transactions contemplated thereunder. As at the Latest Practicable Date, the Directors are not aware of the Company not in compliance with the Listing Rules, the Codes and any applicable statutory laws of Hong Kong and the PRC.

In relation to condition (iii) above, where the bondholders of Domestic Debt Securities do not approve the relevant resolutions in bondholders' meetings, the Company may waive this condition (iii). In such a case, dissenting bondholders of Domestic Debt Securities may request the Company to repurchase bonds held by such dissenting bondholders of Domestic Debt Securities in accordance and in compliance with the terms of conditions of such Domestic Bonds and all applicable laws and regulations.

None of the above conditions can be waived (except for condition (iii) above which can be waived by the Company). If any of the above conditions cannot be fulfilled (or waived only in relation to condition (iii) by the Company) by the date of the AGM and the Class Meetings, the Offer will lapse. As at the Latest Practicable Date, the Conditions had not yet been fulfilled or waived.

Further details of the terms of the Offer are contained in the Letter from the Board, Letter from CICC and Appendix I to the Offer Document. The H Share Shareholders are urged to read the relevant sections in the Offer Document in full.

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation, we have taken into account the following principal factors and reasons:

1. Financial performance of the Group

As stated in the Letter from the Board, the Company is a company operating and managing home furnishing shopping malls, the H Shares of which have been listed on the Main Board of the Stock Exchange since June 2015 and the A Shares of which have been listed on the Shanghai Stock Exchange since 17 January 2018. A summary of the audited consolidated results of the Group for the three years ended 31 December 2017 is set out in Appendix II to the Offer Document. The following table sets out the financial performance of the Group for the three years ended 31 December 2017 as extracted from Appendix II of the Offer Document:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Revenue	8,756	9,436	10,960
Profit before taxation	5,942	4,802	5,986
Profit attributable to owners of the Company	4,098	3,397	4,078

The business model of the Group is mainly built upon a combination of Portfolio Shopping Malls and Managed Shopping Malls. Through Owned/Leased Portfolio Shopping Malls, the Group offers comprehensive services to its tenants, including designated shopping space, staff training, sales and marketing, daily operation and management, and customer services, in exchange for fixed monthly rent and management fees. Through Managed Shopping Malls, the Group provides operating services to its clients, including site selection, construction consultation, tenant sourcing and daily operation and management, in exchange for various fees during different stages of involvement under the contract management agreements. For the three years ended 31 December 2017, the rental income and management fees generated from the Owned/Leased Portfolio Shopping Malls accounted for approximately 60.1%, 63.3% and 58.3% of the total revenue of the Group respectively.

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

We further set out below the summary of operating revenue and results by operating segment of the Group as extracted from the 2016 Annual Report and 2017 Results Announcement:

	Revenue			Segment operating profit (loss)		
	Year ended 31 December			Year ended 31 December		
	2015	2016	2017	2015	2016	2017
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Owned/Leased Portfolio						
Shopping Malls	5,260	5,975	6,394	2,712	2,990	3,047
Managed Shopping Malls	3,142	2,782	3,629	1,780	1,143	1,521
Sales of merchandise and related services	116	208	294	(102)	(27)	(79)
Other	238	471	642	80	205	178
Unallocated	N/A	N/A	N/A	0	387	1,249

Revenue

For the year ended 31 December 2017

The Group's revenue amounted to RMB10,959.5 million, representing an increase of 16.1% from RMB9,436.1 million in 2016, primarily due to stable development of relevant business in Owned/Leased Portfolio Shopping Malls and Managed Shopping Malls. During the year, the increase in revenue of 7.0% from the leasing and management fees of Owned/Leased Portfolio Shopping Malls was due to the increase in the number of malls and the operating area. The increase in revenue of 30.4% from Managed Shopping Malls during the Reporting Period was the result of a new revenue source from the Group's business expansion to provide consulting and tenant sourcing advisory services to property owners on one hand, and on the other hand, the year-on-year increase in the number of newly opened Managed Shopping Malls also brought a substantial increase in revenue from the Managed Shopping Malls.

During the year, Owned/Leased Portfolio Shopping Malls remained to be the largest revenue contributor of the Group which accounted for approximately 58.3% of the total revenue of the Group, while Managed Shopping Malls accounted for approximately 33.1% of the total revenue of the Group. Revenue contributed by Owned/Leased Portfolio Shopping Malls and Managed Shopping Malls accounted for over 90% of the total revenue of the Group during the year.

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

For the year ended 31 December 2016

The Group's revenue amounted to RMB9,436.1 million, representing an increase of 7.8% from RMB8,756.1 million in 2015. The stable growth in revenue was primarily due to an increase in revenue from Owned/Leased Portfolio Shopping Malls. The increase in income from Own/Leased Portfolio Shopping Malls was mainly due to the increase of operating area, the average rent and management fee, while on the other hand, revenue derived from Managed Shopping Malls experienced a drop mainly due to the decrease of revenue from services of construction consultation and management fees.

During the year, Owned/Leased Portfolio Shopping Malls remained to be the largest revenue contributor of the Group which accounted for approximately 63.3% of the total revenue of the Group, while Managed Shopping Malls accounted for approximately 29.5% of the total revenue of the Group. Revenue contributed by Owned/Leased Portfolio Shopping Malls and Managed Shopping Malls accounted for over 90% of the total revenue of the Group during the year.

For the year ended 31 December 2015

The Group's revenue was RMB8,756.1 million, representing an increase of 10.3% from RMB7,935.1 million in 2014. The stable growth in revenue was primarily due to an increase in revenue from Owned/Leased Portfolio Shopping Malls and Managed Shopping Malls. The increase in income of Owned/Leased portfolio shopping malls was mainly due to the increase of operating area, the average rent and management fee, while the increase in income of Managed Shopping Malls was mainly because the Group accelerated the expansion of managed business according to two-wheel driven development strategy of portfolio shopping malls and managed shopping malls.

During the year, Owned/Leased Portfolio Shopping Malls remained to be the largest revenue contributor of the Group which accounted for approximately 60.1% of the total revenue of the Group, while Managed Shopping Malls accounted for approximately 35.9% of the total revenue of the Group. Revenue contributed by Owned/Leased Portfolio Shopping Malls and Managed Shopping Malls accounted for over 90% of the total revenue of the Group during the year.

Net profit attributable to the owners of the Company

We noted that the Group experienced a decrease in net profit attributable to the owners of the Company for the year ended 31 December 2016 despite of the improvement in overall revenue, while the Group has been successfully recorded an increase in net profit attributable to the owners of the Company for the year ended 31 December 2017 of approximately 20.0%. Nevertheless, we further noted from the 2017 Results Announcement that the net profit attributable to owners of the parent company after deducting non-recurring profit or loss would just grew by approximately 11.2% with a slight drop in net profit margin attributable to owners of the parent company after deducting non-recurring profit or loss from approximately 22.0% in 2016 to 21.0% in 2017.

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

Investment properties

Investment properties, principally comprised of Owned Portfolio Shopping Malls, accounted for over 70% of the total assets of the Group and amounted to approximately RMB70,831.0 million, RMB66,948.0 million and RMB70,593.0 million as at 31 December 2015, 2016 and 2017, respectively. The investment properties were stated at fair value as at the respective reporting date. Further details of these investment properties were set out in the valuation report contained in Appendix IV to the Offer Document.

Outlook

As stated in the 2017 Results Announcement, the Group has persistently adhered to the mission of “building a warm and harmonious homeland enhancing consumption and living taste”. In 2018 and thereafter, the Group will continue to follow the operation and management model of “market-oriented operation and shopping mall management”, provide better and more professional services for consumers, consolidate the market leadership and strengthen the brand of “Red Star Macalline” of “Home Furnishings Expert” in the consumers’ mind to build the most pioneering and professional “omni-channel platform provider in home improvement and furnishings industry”.

The future development plans of the Group are as follows:

1. To continue the implementation of two-pronged business model of Portfolio Shopping Malls and Managed Shopping Malls and strengthen the market leadership through strategic expansion of shopping mall network and brand portfolio;
2. To establish a comprehensive service system, striving to become new retail benchmark in home decoration and furnishing industry;
3. To enhance the long-term competitiveness of the enterprise through digital strategies;
4. To actively make innovations and value capital market and financial instruments; and
5. To improve corporate governance, standardize the operation, and fulfill the social responsibility of the Group.

Meanwhile, the Company has completed the A Share Offering (as defined below) on 16 January 2018. The A Shares of the Company were listed and commenced trading on the Shanghai Stock Exchange on 17 January 2018. The Company issued 315,000,000 A Shares at the issue price of RMB10.23 per share (the “**A Share Offering**”). The total proceeds raised amounted to RMB3,222.5 million and the net proceeds raised, after deducting the cost of the A Share Offering of RMB172.5 million, amounted to RMB3,050.0 million.

Our discussion

For each of the three years ended 31 December 2017, over 90% of the revenue of the Group was derived from Owned/Leased Portfolio Shopping Malls and Managed Shopping Malls. We noted that although the Group recorded relatively stable improvement in revenue during the three years ended 31 December 2017, it also experienced decrease in net profit attributable to owners of the Company in 2016. Nevertheless, the Group managed to record improvement in net profit attributable to owners of the Company of approximately 20.0% in 2017. According to the 2017 Results Announcement, the improvement in the financial performance was a comprehensive result of the Group's steady and rapid business growth, significant revenue growth, efficiency of the scale of cost, and reasonable tax planning. However, the net profit attributable to owners of the Company after deducting non-recurring profit or loss would just grew by approximately 11.2% with a slight drop in net profit margin attributable to owners of the parent company after deducting non-recurring profit or loss from approximately 22.0% in 2016 to 21.0% in 2017.

Given the Group is a company operating and managing home furnishing shopping malls, generated over 90% of its revenue from Owned/Leased Portfolio Shopping Malls and Managed Shopping Malls and has investment properties accounted for over 70% of the total assets of the Group, and, as stated in the 2017 Results Announcement, the Group had a 13.5% market share in the chain home improvement and furnishings retail mall sector and a 5.3% mall sector market share in terms of sales volume, owning the largest relevant market share in China's rapidly growing home improvement and furnishings retail industry, we have further reviewed certain statistics published by the National Bureau of Statistics of the PRC in relation to the spending of the PRC citizens and certain recent reports published by the World Bank Group regarding the forecast economic growth of the PRC.

According to the National Bureau of Statistics of the PRC, the real growth in average disposable income per capita increased by approximately 7.3% and reached approximately RMB25,947 in 2017, while the real growth in average consumption spending per capita was approximately 5.4% in 2017. Meanwhile, the total consumption spending in the PRC increased by approximately 10.4% and 10.2% in 2016 and 2017, respectively, and the spending on furniture increased by approximately 12.7% and 12.8% in 2016 and 2017, respectively. In particular, we noted that the total consumption spending has grown considerably during 2013 to 2017 at a compound annual growth rate ("CAGR") of approximately 10.8%.

According to the January 2018 "Global Economic Prospects", which is a report published by the World Bank Group which examines global economic developments and prospects, growth in the PRC is estimated to have reached 6.8% in 2017, reflecting continued fiscal support and the effects of reforms, as well as a stronger-than-expected recovery of exports and a slight positive contribution from net trade. Meanwhile, consumer price inflation increased steadily throughout the year but remained below target, while producer price inflation was stable, supporting a recovery

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

of industrial profits. Despite further monetary and regulatory tightening in 2017, the total stock of non-financial sector debt, at about 260% of GDP, continued to expand on a year-on-year basis. PRC growth is projected to edge down in 2018 to 6.4% as policies tighten, and average 6.3% in 2019-20. Key downside risks to the outlook stem from financial sector vulnerabilities, the possibility of increased protectionist policies in advanced economies, and rising geopolitical tensions. Long-term fundamental drivers of potential growth point to a further slowdown in the PRC's growth over the next decade, as population aging is expected to depress labor supply.

Taking into account the aforesaid, we consider that both the economy and consumer spending in the PRC are still expected to grow while still facing challenges and uncertainties ahead with the rate of growth slowing down. In light of this and taking into account of the financial performance of the Group for the three years ended 31 December 2017, we believe that the growth prospects of the Group would also face business challenges.

2. Share price performance and liquidity

2.1 Historical market price of the H Shares

In view of the fluctuation in stock market in recent years, we have compared the Offer Price to the historical market price of the H Share since 1 January 2016. The following chart depicts the daily closing prices of the Shares from 1 January 2016 up to the Latest Practicable Date (the "Review Period") given the Company was listed on the Stock Exchange in June 2015 and we consider that the possible impact on the H Share price due to initial public offering of the H Shares have been reduced by then:



Source: Bloomberg

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

During the Review Period, we noted that the H Shares were mostly trading below the Offer Price and the closing price reached HK\$5.99 in early 2016, and were closed at below HK\$10 prior to October 2017. During October 2017 to November 2017, the H Shares closed at the range between HK\$9.32 and HK\$11.04. It is noted that the H Share closing price surged and recorded its highest price under the Reviewed Period and since its listing of HK\$13.66 on 16 January 2018 (the “**Highest Closing Price**”) after the Company announced (i) on 5 December 2017 that the Main Board Issuance Approval Committee of the China Securities Regulatory Commission (the “**CSRC**”) reviewed the application of the Company for the A Share Offering on 5 December 2017 and the Company’s application for the A Share Offering has been approved; and (ii) on 22 December 2017 that the CSRC notified the Company officially in writing on 22 December 2017 and announced on the same day that the A Share Offering by the Company has been approved (together, the “**A Share Announced Inside Information**”).

We further noted that subsequent to the mid-January 2018, the closing price of the H Share maintained a gradual decreasing trend until it closed at below HK\$9 on 9 February 2018. After the publication of the Announcement on 5 April 2018, the closing price of the H Shares was HK\$10.78 on 6 April 2018, representing an increase of approximately 7.6% as compared to the closing price of the H Shares of HK\$10.02 on 4 April 2018.

Based on the above, we noted that during the Review Period, except for the period between 22 December 2017 and 24 January 2018, the H Shares were closed at prices below the Offer Price.

However, Shareholders should note that although the Offer Price generally represented premium over the closing prices of the Shares throughout the Review Period, there is no guarantee that the trading price of the Shares will persistently remain and be lower than the Offer Price during and after the Offer Period. The Shareholders, in particular those who may wish to realise their investments in the Shares, are thus reminded to closely monitor the market price of the H Shares during the Offer Period.

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2.2 Liquidity of the H Shares

The total number and average daily number of the H Shares traded per month, and the respective percentage of the H Shares' average daily trading volume as compared to (i) the total number of H Shares in issue; and (ii) the total number of the Shares in issue are tabulated as below:

Month	Total monthly trading volume	Average daily volume	% of average trading volume to total number of the H Shares in issue	% of average trading volume to total number of Shares in issue
	<i>(shares)</i>	<i>(shares)</i>	<i>(Note 1)</i>	<i>(Note 2)</i>
			<i>%</i>	<i>%</i>
2016				
January	18,380,500	919,025	0.09	0.03
February	25,385,714	1,410,317	0.13	0.04
March	82,048,642	3,907,078	0.37	0.11
April	39,459,412	1,972,971	0.19	0.05
May	32,560,006	1,550,476	0.15	0.04
June	29,621,762	1,410,560	0.13	0.04
July	26,154,203	1,307,710	0.12	0.04
August	39,459,891	1,793,631	0.17	0.05
September	32,656,341	1,555,064	0.15	0.04
October	40,857,096	2,150,373	0.20	0.06
November	31,820,433	1,446,383	0.14	0.04
December	79,034,878	3,951,744	0.37	0.11
2017				
January	20,951,642	1,102,718	0.10	0.03
February	39,147,100	1,957,355	0.18	0.05
March	107,944,560	4,693,242	0.44	0.13
April	24,909,643	1,465,273	0.14	0.04
May	25,110,002	1,255,500	0.12	0.03
June	28,468,662	1,294,030	0.12	0.04
July	38,845,747	1,849,797	0.17	0.05
August	27,943,218	1,270,146	0.12	0.04
September	38,290,226	1,823,344	0.17	0.05
October	38,666,861	1,933,343	0.18	0.05
November	34,435,920	1,565,269	0.15	0.04
December	68,473,470	3,603,867	0.34	0.10

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Month	Total monthly trading volume (shares)	Average daily volume (shares)	% of average trading volume to total number of the H Shares in issue (Note 1) %	% of average trading volume to total number of Shares in issue (Note 2) %
2018				
January (Note 3)	241,886,515	10,994,842	1.03	0.28
February	100,495,329	5,583,074	0.53	0.14
March	76,992,744	3,666,321	0.34	0.09
April (up to the Last Trading Day)	3,830,276	3,830,276	0.36	0.10
April (from 6 April 2018 to the Latest Practicable Date)	64,589,218	5,871,747	0.55	0.15

Source: Bloomberg

Notes:

1. Calculated based on the number of the H Shares in issue.
2. Calculated based on the total number of Shares in issue as at the respective month end date.
3. We also noted that the increase in average daily trading volume was partially attributable to the offer exchange purchase of 118,167,400 H Shares by a shareholder on 26 January 2018 according to its disclosure of interest filing.

We note from the above table that daily trading in the Shares was relatively thin during the Review Period, with ranges of approximately 0.09% to 0.44% of the total number of H Shares in issue and approximately 0.03% to 0.13% of the total number of Shares in issue during the two years ended 31 December 2017. In particular, we noted that an aggregate of 519,225,069 H Shares were held by the then pre-IPO investors and subject to lock up until June 2016, while the trading volume of the H Shares did not increase notably after the expiry of such lock-up period in June 2016. The average daily trading volume surged in January 2018 and reached 1.03% of the total number of H Shares in issue and 0.28% of total number of Shares in issue when the Company announced the approval of A Share Offering, while the average daily trading volume decreased to approximately 0.36% of the total number of H Shares in issue and 0.10% of total number of Shares in issue in April 2018 before the publication of the Announcement. Within 564 active trading days in the Review Period, there were (i) 117 trading days with less than 1,000,000 H Shares traded, representing approximately 20.7% of the total active trading days of the Shares in the Review Period,

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(ii) 364 trading days with less than 2,000,000 H Shares traded, representing approximately 64.5% of total active trading days of the Shares in the Review Period; and (iii) 453 trading days with less than 3,000,000 H Shares traded, representing approximately 80.3% of total active trading days of the H Shares in the Review Period. The above statistics illustrate that the trading of the H Shares during the Review Period was not active.

In our view, in general, the liquidity of the H Shares was relatively low and there may not be sufficient liquidity in the H Shares and an active market for the H Share Shareholders to dispose of considerable amount of their H Shares in the open market without having an adverse impact on the price level of the H Shares.

2.3 Comparison of the Offer Price with the market price and NAV per Share

The Offer Price of HK\$11.78 per H Share represents:

- (i) a premium of approximately 17.56% over the closing price of HK\$10.02 per H Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 22.58% over the average closing price of HK\$9.61 per H Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 23.22% over the average closing price of HK\$9.56 per H Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 25.32% over the average closing price of HK\$9.40 per H Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day;
- (v) a premium of approximately 15.04% over the closing price of HK\$10.24 per H Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (vi) a discount of approximately 15.43% to the audited consolidated net asset value of the Group (“NAV”) attributable to the H Share Shareholders of approximately HK\$13.93 per H Share as at 31 December 2017; and
- (vii) a discount of approximately 17.79% to the adjusted consolidated NAV (as adjusted by valuation surplus and relevant deferred tax impacts based on the valuation of the property interests of the Group as at 28 February 2018, details of which are set out in Appendix III to the Offer Document) of approximately HK\$14.33 per H Share as at 31 December 2017 (the “Adjusted NAV”).

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Furthermore, we noted that if the Proposed Final Dividend is being approved by the then Shareholders, the Offer Price together with all dividends declared by the Company subsequent to its listing on the Stock Exchange (including the Proposed Final Dividend calculated based on the exchange rate as at the Latest Practicable Date) shall amount to approximately HK\$13.22 per Shares, which merely represents a slight discount of approximately 0.5% to the offer price of HK\$13.28 per H Share in the Company's initial public offering of H Shares in 2015 and a discount of approximately 3.2% to the Highest Closing Price.

3. Valuation of Offer Price

In order to assess the fairness and reasonableness of the Offer Price, we consider that reference to price-to-earnings multiple (“**PE Ratio**”) and price-to-book multiple (“**PB Ratio**”), which are all common valuation methods, would be relevant.

The Offer Price represents a PE Ratio of approximately 9.08 times calculated based on the earnings per Share of approximately RMB1.13 for the year ended 31 December 2017; and a PB Ratio of approximately 0.85 times calculated based on the audited consolidated NAV per Share of approximately RMB11.16 as at 31 December 2017.

As set out in section “1. Financial performance of the Group” the above, for the three years ended 31 December 2017, the rental income and management fees generated from the Owned/Leased Portfolio Shopping Malls were approximately RMB5.2 billion, RMB6.0 billion and RMB6.4 billion which accounted for approximately 60.1%, 63.3% and 58.3% of the total revenue of the Group, respectively. To assess the fairness and reasonableness of the Offer Price by comparison of the PE Ratio and PB Ratio, and by taking into account of the business model, scale and assets structure of the Group, we have identified a total of 5 Hong Kong listed companies (the “**Comparable Companies**”) whose principal business included property leasing in the PRC with (i) annual turnover of over HK\$1.0 billion and over 50% of which were derived from its rental income and management fees of the property investment business, and the property investment revenue in the PRC accounted for over 50% of the total property investment revenue; and (ii) total assets of over HK\$10.0 billion and over 50% of which are investment properties, which we consider it is an exhaustive list based on the search results from Bloomberg. We note that the business models of the Comparable Companies and their geographical location of business operation may not be exactly identical to those of the Group, but their revenue are largely derived from its rental income and management fees generated from its property investment business, and we consider that they are relevant and would have reflected the market's collective valuation for the similar nature of business conducted by the Group. The following table illustrates the PE Ratio and PB Ratio of the Comparable Companies:

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Company (Stock Code)	Principal activities	Market capitalisation as at the Latest Practicable Date	PE Ratio	PB Ratio
		(HK\$ billion)	(times) (Note 1) (Note 5)	(times) (Note 2) (Note 5)
Hang Lung Group Limited (10)(Note 6)	Rental of properties. The Company has three segments, namely the Mainland China property leasing segment, Hong Kong property leasing segment and property sales segment.	33.36	6.28	0.40
SOHO China Limited (410)	Property investments and management, development and sales of developed properties, hotel operations and the provision of construction, decoration and other property development related services	21.11	3.86	0.54
Lai Fung Holdings Ltd. (1125)	Investment in serviced apartments, as well as commercial and office buildings in Mainland China for potential rental income, and development of properties in Mainland China for sale	4.02	2.70	0.28
Hui Xian Real Estate Investment Trust (87001)	It operates through five segments, namely the malls segment, the tower offices segment, the tower apartments segment, the hotels segment and the Chongqing property segment	21.81	12.81	0.68
Yuxiu Real Estate Investment Trust (405)	It invests in six commercial properties located in Guangzhou and one commercial property in Shanghai	15.83	9.25	0.92
	Average		6.98	0.56
	Minimum		2.70	0.28
	Maximum		12.81	0.92
<i>For illustration purpose only:</i>				
The Company	Based on H Shares in issue and closing price of H Share:	10.88	7.89	0.74
	Based on A Shares in issue and closing price of A Share:	56.88		
The Offer			9.08	0.85
			<i>(Notes 3 & 5)</i>	<i>(Notes 4 & 5)</i>

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Notes:

1. Calculated based on the closing price as at the Latest Practicable Date and the earnings per share or earnings per unit as extracted from their respective latest published annual results announcement or annual report.
2. Calculated based on the market capitalisation as at the Latest Practicable Date and the net assets attributable to equity holders or unit holders as extracted from their respective latest published results announcement or annual report.
3. Calculated based on the earnings per Share for the year ended 31 December 2017 and the Offer Price of HK\$11.78.
4. Calculated based on the audited consolidated net asset value attributable to owners of the Company as at 31 December 2017, the total number of Shares in issue as at 31 December 2017 and the Offer Price of HK\$11.78.
5. Based on an exchange rate of HK\$1 = RMB0.80142 as quoted by the People's Bank of China on the Latest Practicable Date.
6. For the avoidance of doubt, Hang Lung Properties Limited (stock code: 101) was excluded from the above analysis as one of the Comparable Companies, namely Hang Lung Group Limited (stock code: 10) is the parent company of Hang Lung Properties Limited.

Based on the above table, the PE Ratio of the Comparable Companies ranged from approximately 2.70 times to 12.81 times and with an average of approximately 6.98 times, and the PB Ratio ranged from approximately 0.28 times to 0.92 times and with an average of approximately 0.56.

The Offer Price represents a PE Ratio of approximately 9.08 times, which falls within the range of the Comparable Companies and is above the average PE ratio of the Comparable Companies. On the other hand, the Offer Price represents a PB Ratio of approximately 0.85 times which also falls within the range of the Comparable Companies, which exceeding the average PB ratio of the Comparable Companies by approximately 51.8%. H Share Shareholders should note that the above analysis is based on the NAV of the Group, and not the Adjusted NAV. Based on the Adjusted NAV per Share as at 31 December 2017 of approximately HK\$14.33, the Offer Price represented a PB Ratio of approximately 0.82 times, which still falls within the range of the Comparable Companies and is above the average PB Ratio of the Comparable Companies. For analysis of the Adjusted NAV, please refer to the section "6. Assets, valuation and adjusted net asset value" below.

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4. Assured Entitlements and scaling down arrangement on excess acceptances

As stated in the Letter from CICC, Qualifying Shareholders will be assured of being able to sell the Company under the Offer approximately 36.59% of the H Shares they hold as at the Record Date (to be rounded to the nearest whole number of H Share) (ie. 73 H Shares for every board lot of 200 H Shares held by each Qualifying Shareholders).

Qualifying Shareholders may accept the Offer in respect of some or all of their holdings of H Shares, subject to the scaling down mechanism described below.

The number of H Shares which may be bought-back from a particular accepting Qualifying Shareholder who tenders more than his/her/its Assured Entitlement may exceed the Assured Entitlement if any other Qualifying Shareholder either tenders no acceptance in respect of the Offer or accepts the Offer in respect of fewer H Shares than is represented by his/her/its Assured Entitlement.

In the event that the total number of H Shares acceded to the Offer exceeds 388,917,038 H Shares, the Company will buy-back H Shares in excess of the Assured Entitlements of the accepting Qualifying Shareholders in accordance with the following formula (save that the Company may in its absolute discretion round such figure up or down with the intention of avoiding (as far as practicable) H Shares being held by the Qualifying Shareholders in odd lots or fractional entitlements):

$$\frac{(388,917,038-A) \times C}{B}$$

A: Total number of H Shares in respect of which the Offer is validly accepted by all Qualifying Shareholders up to and including their respective Assured Entitlements. For the avoidance of doubt, "A" excludes any H Shares validly accepted by Qualifying Shareholders in excess of their respective Assured Entitlements. By way of elaboration, in the event that only certain (but not all) of the H Share Shareholders tender their holdings pursuant to the Offer and/or where certain H Share Shareholders accept the Offer to the extent that is less than their respective Assured Entitlements, "A" will be less than 388,917,038 and the formula will produce a result for the Company to buy-back H Shares in excess of the Assured Entitlements for those Qualifying Shareholders who have validly accepted the Offer

B: Total number of H Shares in respect of which the Offer is validly accepted by Qualifying Shareholders in excess of their Assured Entitlements

C: Number of H Shares in respect of which the Offer is validly accepted by a particular Qualifying Shareholder in excess of his/her/its Assured Entitlement

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As a result, it is possible that if a Qualifying Shareholder tenders all his/her/its H Shares to the Company under the Offer, not all of such H Shares will be taken up eventually. Fractions of H Shares will not be taken up under the Offer and, accordingly, the number of H Shares that the Company will take up from each Qualifying Shareholder in accordance with the above formula will be rounded up or down to the nearest whole number at the discretion of the Company. The decision of the Company as to any scaling down of acceptances of the Offer in excess of the Assured Entitlements and as to the treatment of odd lots or fractional entitlements will be conclusive and binding on all the H Share Shareholders.

In the event that the total number of the H Shares acceded to the Offer is less than or equal to 388,917,038 H Shares, acceptances to the Offer in excess of the Assured Entitlements will be taken up in full.

Taking into account the fact that all Qualifying Shareholders will be provided with equal opportunity and proportion of H Shares to be accepted by the Company in accordance with their Assured Entitlements under the Offer, we consider that the arrangement under the Assured Entitlements is fair and reasonable for all Qualifying Shareholders.

5. Reasons of the Offer

As stated in the Letter from the Board, the Company is a company operating and managing home furnishing shopping malls, the H Shares of which are listed on the Main Board of the Stock Exchange and the A Shares of which are listed on the Shanghai Stock Exchange. The Group is also involved in pan home furnishings consumption, including internet home decoration, internet retails, as well as logistics and delivery services.

The Board (other than the non-executive Directors and independent non-executive Directors who express their opinion in the Letter from the Independent Board Committee having considered the advice from the Independent Financial Adviser) believes that the Offer is in the Company's best interest as:

- the share price of the H Shares has not sufficiently reflected the Group's robust operating performance

As stated in the Letter from the Board, since the listing of the Company's H Share on the Stock Exchange in June 2015, the closing price of the H Shares, during the period from the listing of the H Shares up to and including the Last Trading Day, has been fluctuating within the range of HK\$5.99 per H Share to HK\$13.66 per H Share (the median being HK\$8.57 per H Share), with no significant increase as compared to the market price of the H Shares upon listing (i.e. HK\$13.28 per H Share). These prices have not sufficiently reflected the Group's robust operating performance.

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Our view

We have reviewed the trading prices of the Shares since 1 January 2016 note that, except for the surge in H Share price after the A Share Announced Inside Information, the closing prices of the H Shares were mostly below the initial public offering price per H Share of HK\$13.28, and the closing price of the Shares even reached below HK\$6 in early 2016 even the Company recorded improvement in net profit attributable to owners of the parent for the year ended 31 December 2015 as compared to 31 December 2014. We also noted that the Offer Price represents a premium of approximately 23.22% and 25.32% over the average closing price of approximately HK\$9.56 and approximately HK\$9.40 per H Share on the Stock Exchange for last 10 and 30 consecutive trading days up to and including the Last Trading Day. Based on the above, we concur with the view of the Board that the Offer Price represents a premium valuation of the H Shares. For further analysis of the historical trading price of the H Shares, please refer to the section headed “2. Share price performance and liquidity” in this letter above.

- it will provide an exit opportunity for the H Share Shareholders:

As stated in the Letter from the Board, the Offer provides an opportunity for those Qualifying Shareholders to dispose of any of their H Shares to realise part of their investments in the Company for an attractive price (i.e. at a premium over the market price of the H Share, without any discount on the lack of liquidity in the trading of the H Shares and without brokerage fee).

Our view

We have reviewed the liquidity of the H Shares from since 1 January 2016, and noted that the monthly trading in the Shares was relatively thin during the Review Period, with average daily trading volume of each month ranged from approximately 0.09% to 0.44% of the total number of H Shares in issue during the two years ended 31 December 2017, while the Offer represents approximately 36.59% of the H Shares in issued. We also noted that subsequent to the A Share Announced Inside Information in January 2018, the liquidity of the H Shares on the Stock Exchange had improved in January, while such impact was gradually reduced until the publication of the Announcement. Taking into account of the above, we concur with the view of the Board that the H Share Shareholders may not be able to dispose of large lots of H Shares in the market without adversely affecting the market price of the H Shares and the Offer provides a certain and immediate premium for the H Shares. For further analysis of the historical liquidity of the H Shares, please refer to the section headed “2. Share price performance and liquidity” in this letter above.

- it will enhance the Company’s earnings per Share

As stated in the Letter from the Board, the Company’s earnings per Share will increase upon the completion of the Offer and cancellation of the H Shares bought-back.

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Our view

Based on the information set out in the Letter from the Board and “Unaudited pro forma financial information of the Group” set out in Appendix III to the Offer Document, assuming the Offer had taken place on 1 January 2017, and the total maximum number of 388,917,038 H Shares under the Offer had been bought-back and cancelled in full by the Company, the earnings per Share would have increased by approximately 11.5%, principally due to the reduction in number of Shares in issue. Accordingly, we concur with the Board’s view that the Company’s earnings per Share will increase upon completion of the Offer. For further analysis of the financial impact of the Offer on earnings per Share, please refer to the section headed “7. Financial effects” in this letter below.

6. Assets, valuation and adjusted net asset value

(i) Assets

The audited consolidated balance sheet of the Group as at 31 December 2017 is set out in Appendix II to the Offer Document. Total assets and net assets attributable to the owners of the Company as at that date were approximately RMB97.0 billion and RMB40.4 billion, respectively. Assets of the Group as at 31 December 2017 are further analysed below:

	As at 31 December 2017 <i>(RMB'million)</i>	Approximate % of total assets
Investment properties	70,831	73.0%
Other assets		
Cash and bank	10,627	11.0%
Available-for-sale financial assets	3,062	3.1%
Others	12,495	12.9%
Subtotal	<u>26,184</u>	<u>27.0%</u>
Total assets	<u>97,015</u>	<u>100.0%</u>

The majority of the assets of the Group were investment properties, while the remaining assets principally comprised cash and cash equivalents and available-for-sale financial assets as at 31 December 2017.

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(ii) Valuation

The valuations of the Group's property interests conducted by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL") as at 28 February 2018 is set out in the valuation report contained in Appendix IV to the Offer Document.

The main purpose of such valuations for the Company is to use them as a basis for arriving at the adjusted unaudited consolidated net assets of the Group shown in sub-section (iii) below, which is one of the factors that we take into account in assessing the fairness and reasonableness of the Offer Price. With this purpose, we have discussed the property valuations with JLL, including specifics on (a) bases and assumptions used, and valuation approaches employed and the reasons therefor; and (b) the property valuer's due diligence works. JLL confirmed that site inspections have been performed on all investment properties. We note that JLL has adopted various valuation methodologies for arriving at the valuations for the properties and we have discussed the overall approach to the property valuations and asked for rationale behind in selecting the relevant valuation methodologies for those major properties. We concur with the property valuer on the valuation approaches that it has taken in valuing the different types of properties.

(iii) Adjusted NAV

For the purpose of formulating our advice on the Offer, we have compared the Offer Price with the Adjusted NAV per Share as at 31 December 2017, the calculation of which was prepared based on information provided by the Company.

	<i>RMB'million</i>
Audited consolidated NAV of the Group attributable to owners of the Company as at 31 December 2017 (<i>Note 1</i>)	40,427
Adjustments:	
– Revaluation surplus arising from valuation of the property interests as at 28 February 2018 (<i>Note 2</i>)	1,751
– Deferred taxes on attributable revaluation surplus	(438)
– Adjustments attributable to non-controlling interests	(174)
Adjusted NAV	41,593
Adjusted NAV per Share (<i>Note 3</i>)	RMB11.48 (equivalent to approximately HK\$14.33)

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Notes:

1. The amount is extracted from the audited consolidated financial figures as at 31 December 2017 of section 2 of Appendix II to this Offer Document.
2. The revaluation surplus represents the excess of market value of the property interests as at 28 February 2018 over their corresponding book values as at 28 February 2018.
3. The Adjusted NAV per Share is arrived at on the basis of 3,623,917,038 Shares in issue as at 31 December 2017.

For the avoidance of doubt, the above calculation has not taken into account the proposed final dividend for the year of 2017 of RMB0.32 per Share to be approved at the annual general meeting of the Company. In addition, as disclosed in the announcement of the Company dated 7 February 2018, the Company issued 315,000,000 A Shares under the A Share Offering at issue price of RMB10.23 per A Share, which represented a discount to both of the NAV per Share as at 31 December 2017 and the Adjusted NAV per Share of approximately 8.3% and approximately 10.9%, respectively. If the impact of the A Share Offering is also being taken into account of in the calculation of the Adjusted NAV, the consolidated NAV of the Group attributable to owners of the Company would be increased by approximately RMB3,050.0 million while the Adjusted NAV per Share would be reduced to approximately RMB11.33 (equivalent to approximately HK\$14.14) accordingly.

As set out in the Letter from the Board, NAV per Share as at 31 December 2017 was approximately RMB11.16. Taking into account that the adjusted NAV per Share of approximately RMB11.48 only represents an increase of approximately 2.9% of NAV per Share, we consider that the revaluation of properties of the Group did not have a material impact on the NAV per Share.

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7. Financial effects

In accordance with the “Unaudited pro forma financial information of the Group” set out in Appendix III to the Offer Document, the financial effects of the Offer to the Group upon completion of the Offer are as follows:

	Before the Offer	Upon completion of the Offer	Increase/ (decrease) %
Number of Shares in issue	3,938,917,038	3,550,000,000	(9.9)
Basic earnings per Share (RMB) (Note 1)	1.13	1.26	11.5
NAV per Share (RMB) (Note 2)	11.16	11.31	1.3

Notes:

- (1) Basic earnings per Share before the Offer is calculated based on the weighted average number of Shares in issue during the year ended 31 December 2017, being 3,623,917,038 Shares, and the net profit attributable to the owners of the Company for the year ended 31 December 2017 (without taking into account the 315,000,000 A Shares issued pursuant to the completion of the A Share Offering on 16 January 2018).
- (2) NAV per Share before the Offer is calculated based on the 3,623,917,038 Shares in issue as at 31 December 2017 and the audited consolidated NAV as at 31 December 2017 (without taking into account the 315,000,000 A Shares issued pursuant to the completion of the A Share Offering on 16 January 2018 and the proposed final dividend for 2017 of RMB0.32 per Share).

7.1 Basic earnings per Share

Assuming that the Offer had taken place on 1 January 2017, and the total maximum number of 388,917,038 H Shares under the Offer had been bought-back and cancelled in full by the Company, the weighted average number of Shares in issue would have decreased from 3,623,917,038 to 3,235,000,000 and the basic earnings per Share would increase by approximately 11.5% to RMB1.26 for the year ended 31 December 2017 based on the unaudited pro forma net profit attributable to owners of the Company for the year ended 31 December 2017 of approximately RMB4,077.9 million, the calculation of which is set out in Appendix III to the Offer Document.

On the other hand, assuming that the A Share Offering was also completed on 1 January 2017, as a result of the full acceptance of the Offer, the weighted average number of Shares in issue would have decreased from 3,938,917,038 to 3,555,000,000 and the basic earnings per Share would increase by approximately 10.6% from approximately RMB1.04 to RMB1.15 for the year ended 31 December 2017 based on the unaudited pro forma net profit attributable to owners of the Company for the year ended 31 December 2017 of approximately RMB4,077.9 million.

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Taking into account that the Offer is offered to all Qualifying Shareholders on a fair and equitable basis, and those Qualifying Shareholders who intend not to tender their Shares or acceptance under the Offer would enjoy increase in their proportionate interests in shareholding, retained profits and any future earnings of the Group, we consider that the increase in the pro forma basic earnings per Share upon completion of the Offer would not have any adverse effect to the interests of the Shareholders.

7.2 NAV per Share

Assuming that the Offer had taken place on 31 December 2017, and the total maximum number of 388,917,038 H Shares under the Offer had been bought-back and cancelled in full by the Company, the number of Shares in issue would have decreased from 3,623,917,038 to 3,235,000,000 and the NAV per Share would increase by approximately 1.3% to RMB11.31 as at 31 December 2017 based on the unaudited pro forma consolidated net assets of the Group attributable to owners of the Company as at 31 December 2017 of approximately RMB36,578.7 million, which is arrived at by adjusting (i) the total consideration of the Offer of approximately RMB3,829.6 million; and (ii) estimated related expenses directly attributable to the Offer of approximately RMB18.4 million, the calculation of which is set out in Appendix III to the Offer Document.

On the other hand, assuming that the A Share Offering was also completed on 1 January 2017, as a result of the full acceptance of the Offer, the number of Shares in issue would have decreased from 3,938,917,038 to 3,555,000,000 and the NAV per Share would increase by approximately 1.0% from approximately RMB11.04 to RMB11.15 as at 31 December 2017 based on the unaudited pro forma consolidated net assets of the Group attributable to owners of the Company as at 31 December 2017 of approximately RMB39,628.7 million, which is arrived at by adjusting (i) the total consideration of the Offer of approximately RMB3,829.6 million; (ii) estimated related expenses directly attributable to the Offer of approximately RMB18.4 million; and (iii) the net proceeds raised from the A Share Offering of approximately RMB3,050.0 million.

Taking into account that the Offer is offered to all Qualifying Shareholders on a fair and equitable basis, and those Qualifying Shareholders who intend not to tender their Shares or acceptance under the Offer would enjoy increase in their proportionate interests in shareholding, retained profits and any future earnings of the Group, we consider that the increase in the pro forma NAV per Share upon completion of the Offer would not have any adverse effect to the interests of the Shareholders.

7.3 Liabilities

As set out in the Letter from the Board, the Company may finance the Offer from a RMB1.5 billion loan facility provided by China Minsheng Banking Corp., Ltd. Taking into account of the total liabilities of the Group as at 31 December 2017 of approximately RMB53.1 billion, such loan facilities only represent approximately 2.8% of the total liabilities of the Group as at 31 December 2017. Accordingly, we concur with the Board that the Offer will not have material adverse effect on the Group's liabilities.

7.4 Working capital

As at 31 December 2017, the Group had cash and cash equivalents of approximately RMB10.3 billion. Assuming full acceptance of the Offer, the total estimated cash payment of the Offer and the total estimated related expenses in relation to the Offer will be approximately HK\$4.6 billion and approximately RMB18.4 million respectively. Accordingly, the Offer (assuming full acceptance) will reduce the working capital available to the Group by up to approximately RMB3,848.0 million, representing approximately 37.8% of the cash and cash equivalents of the Group as at 31 December 2017, before taking into account of the net proceeds of approximately RMB3,050.0 million raised through the A Share Offering in early 2018.

As at 31 December 2017, the Group's net current liabilities (being current liabilities less current assets) was approximately RMB8,149.3 million. The Offer (assuming full acceptance) will increase the net current liabilities of the Group from approximately RMB8,149.3 million to RMB11,997.3 million.

Nevertheless, taking into account the fact that the business model and asset structure of the Group that non-current assets of the Group accounted for approximately 85.0% of the total assets of the Group as at 31 December 2017, the Group was in strong net assets position of approximately RMB43,932.0 million as at 31 December 2017, and the Group was able to generate net cash inflow from operating activities of approximately RMB6,518.4 million and recorded net profit of approximately RMB4,278.0 million for the year ended 31 December 2017, we concur with the view of the Directors that the implementation of the Offer would not have material adverse effect on the working capital of the Group.

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

8. Effect on the shareholding interests of the Shareholders

The table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately after completion of the Offer on the assumption that (i) the Qualifying Shareholders accept the Offer in full; and (ii) the number of the Shares in issue as at the Latest Practicable Date remains unchanged until completion of the Offer.

Shareholders	As at the Latest Practicable Date			At the completion of the Offer (assuming full acceptance of the Offer by the Qualifying Shareholders in respect of their Assured Entitlements)		
	Shares held in the relevant class ⁽¹⁾	% in the relevant class ⁽¹⁾	% in the total issued share capital ⁽¹⁾	Shares held in the relevant class ⁽¹⁾	% in the relevant class ⁽¹⁾	% in the total issued share capital ⁽¹⁾
A Shares:						
CHE Jianxing (車建興) ⁽²⁾⁽³⁾	2,480,315,772	86.24%	62.97%	2,480,315,772	86.24%	69.87%
Shanghai Hong Mei ⁽⁴⁾	12,659,994	0.44%	0.32%	12,659,994	0.44%	0.36%
Public A Shares Shareholders	383,128,203	13.32%	9.73%	383,128,203	13.32%	10.79%
H Shares:						
H Shares Public Shareholders	<u>1,062,813,069</u>	100%	<u>26.98%</u>	<u>673,896,031</u>	100%	<u>18.98%</u>
Total	<u><u>3,938,917,038</u></u>		<u><u>100%</u></u>	<u><u>3,550,000,000</u></u>		<u><u>100%</u></u>

Notes:

- (1) As at the the Latest Practicable Date, the Company had 3,938,917,038 issued Shares in total, comprising of 2,876,103,969 A Shares and 1,062,813,069 H Shares.
- (2) Mr. CHE Jianxing indirectly holds 62.97% of the issued Shares in total of the Company through his 92.00% direct interest in Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) (formerly known as “Shanghai Red Star Macalline Investments Company Limited” (上海紅星美凱龍投資有限公司)) (“**RSM Holding**”, a limited liability company incorporated in the PRC) and is deemed to be interested in the 2,480,315,772 A Shares held by RSM Holding for the purpose of the SFO. The remaining 8.00% in the share capital of RSM Holding is held by the sister of Mr. CHE Jianxing, Ms. CHE Jianfang, who does not hold any H Shares.
- (3) Ms. CHEN Shuhong is the spouse of Mr. CHE Jianxing. Under the SFO, Ms. CHEN Shuhong is deemed to be interested in the same number of Shares in which Mr. CHE Jianxing is interested.
- (4) Shanghai Hong Mei is a limited partnership established under the laws of the PRC. CHAO Yanping (巢豔萍), a supervisor of the Company and therefore a “core connected person” of the Company, is the general partner of Shanghai Hong Mei. Accordingly, Shanghai Hong Mei, a close associate (as defined in the Listing Rules) of CHAO Yanping, also constitutes a “core connected person” of the Company and therefore, the 12,659,994 A Shares held by Shanghai Hong Mei shall not be counted towards public float of the Company.

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As the Shares bought-back will be cancelled, the total number of Shares will be decreased by 388,917,038 if the Offer is accepted in full. As illustrated in the above table, the percentage of Shares held by public Shareholders will be decreased from approximately 36.71% to 29.78% following completion of the Offer with the assumptions as set out above. On the other hand, the percentage of Shares held by Mr. Che and any parties acting in concert with any of them will be increased from approximately 62.97% to 69.87%. Likewise, the percentage of Shares held by the other Shareholders who retain their interests in the Company will increase.

As stated in the Letter from the Board, the Directors have jointly and severally undertaken to the Stock Exchange on terms required under the Listing Rules to take approximate steps as soon as possible following the close of the Offer to ensure that a sufficient public float exists in the Shares.

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 15.10% of the Shares, are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) that there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend trading in the Shares.

RECOMMENDATION

Having considered that principal factors and reasons as discussed above, and in particular the following (which should be read in conjunction with and interpreted in the full context of this letter):

- (i) the Offer allows all Qualifying Shareholders to participate equally on the same terms;
- (ii) the Offer provides an opportunity for the Shareholders to realise at least part of their investment in the Company or to increase their proportionate interest in the Company by retaining their shareholdings;
- (iii) the Offer Price represents premium over the market prices of the H Shares prior to the release of the Announcement and the Offer provides an immediate exit to the H Share Shareholders to realize their investment in the H Share;
- (iv) the trading volume of the H Shares was relatively low during the Review Period;
- (v) the Offer Price also represents PE Ratio of approximately 9.08 times and PB Ratio of approximately 0.85 times, each of which falls in the relevant range of the Comparable Companies and above the relevant average ratios;

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

- (vi) each of the NAV per Share and earnings per Share would have been enhanced as a result of the full acceptance of the Offer; and
- (vii) if the Offer is approved by the Shareholders and also becomes unconditional, the Qualifying Shareholders can decide whether to accept the Offer based on the then market prices of the Shares during the period of the Offer,

we consider that the terms of the Offer are fair and reasonable so far as the Independent H Share Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend the H Share Shareholders to vote in favour of the resolution to approve the Offer at the H Share Class Meeting and the AGM respectively and to accept the Offer. The H Shares have been consistently traded below the Offer Price since trading resumed after the Announcement, closing at HK\$10.24 as at the Latest Practicable Date. However, the H Share Shareholders should monitor the H Share price closely; if the H Share Shareholders decide to accept the Offer but the proceeds of selling in the market (net of costs) would be higher than the net proceeds receivable under the Offer, they should sell in the market instead. On the other hand, for those Qualifying Shareholders who, after considering the information contained in the Offer Document, are attracted by the future prospects of the Group following the Offer, they should consider retaining all or part of their Shares.

Yours faithfully,

for and on behalf of

HALCYON CAPITAL LIMITED

Chan Chi On, Derek

Chairman

Barton Lai

Director

Mr. Chan is a licensed person registered with the SFC and a responsible officer of Halcyon, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activities. Mr. Chan has over 25 years of experience in the corporate finance industry.

Mr. Lai is a licensed person registered with the SFC under the SFO to carry out Type 6 (advising on corporate finance) regulated activities. Mr. Lai has over 8 years of experience in the corporate finance industry.

CICC is making the Offer to the Qualifying Shareholders on behalf of the Company to buy-back the Shares, on the terms and subject to the conditions set out in this Offer Document. The terms and conditions of the Offer are set out below.

TERMS AND CONDITIONS OF THE OFFER

1. The Offer

The Company will buy-back for cancellation up to 388,917,038 H Shares at the Offer Price. The Offer Price is HK\$11.78 per H Share.

The Company will not increase the Offer Price. Shareholders and potential investors should be aware that, following the making of this statement, the Company will not be allowed to increase the Offer Price. The Company does not reserve the right to increase the Offer Price. For avoidance of doubt, this means that the Offer Price will not be adjusted by the payment of final dividend for the year 2017 (whether or not approved at the annual general meeting of the Company to be held on or around 8 June 2018).

2. Conditions

The Offer is conditional upon fulfilment of all of the following conditions:

- (i) the passing of a Special Resolution by the Shareholders approving the Offer and the transactions contemplated thereunder at the AGM by way of poll;
- (ii) the passing of a Special Resolution by the A Share Shareholders and the H Share Shareholders approving the Offer and the transactions contemplated thereunder at the A Share Class Meeting and the H Share Class Meeting respectively;
- (iii) approval by holders of Domestic Debt Securities approving the reduction of share capital of the Company in bondholders' meetings, namely:
 - (a) a resolution passed by three fourths of votes of the holders of the Medium-Term Notes present at the meeting of the noteholders in person or by proxies;
 - (b) a resolution passed by a simple majority of the votes of the holders of the Corporate Bonds present at the meeting of the bondholders in person or by proxies,

- (iv) the compliance by the Company with the Listing Rules, the Codes and the statutory laws of Hong Kong and the PRC applicable to the Offer and the transactions contemplated thereunder. As at the Latest Practicable Date, the Directors are not aware of the Company not in compliance with the Listing Rules, the Codes and any applicable statutory laws of Hong Kong and the PRC. None of the Conditions can be waived (except for condition (iii) above which can be waived by the Company). If any of the Conditions cannot be fulfilled (or waived only in relation to condition (iii) by the Company) by the date of the AGM and the Class Meetings, the Offer will lapse.

In relation to condition (iii) above, where the bondholders of Domestic Debt Securities do not approve the relevant resolutions in bondholders' meetings, the Company may waive this condition (iii). In such a case, dissenting bondholders of Domestic Debt Securities may request the Company to repurchase bonds held by such dissenting bondholders of Domestic Debt Securities in accordance and in compliance with the terms of conditions of such Domestic Bonds and all applicable laws and regulations.

As at the Latest Practicable Date, the Conditions had not yet been fulfilled or waived.

The Offer is not conditional as to any minimum number of Shares tendered for acceptance.

3. Maximum number of Shares

The maximum number of Shares which will be bought-back by the Company pursuant to the Offer is 388,917,038 H Shares, representing 36.59% of the total issued H Share capital of the Company and approximately 9.87% of the total issued share capital of the Company as at the Latest Practicable Date.

4. Qualifying Shareholders

The Offer is available to all Qualifying Shareholders.

5. Acceptance

- 5.1 Qualifying Shareholders may accept the Offer in respect of any number of their H Shares at the Offer Price up to their entire holding of H Shares by submitting to the Registrar a duly completed Form of Acceptance, accompanied by the Title Documents, by no later than the Latest Acceptance Time. Each Share may only be accepted under the Offer once.

- 5.2 The number of H Shares specified by an accepting Qualifying Shareholder in a Form of Acceptance will be bought-back in the following order:
- (i) firstly, all the H Shares up to the Assured Entitlement of an accepting Qualifying Shareholder; and
 - (ii) secondly, on condition that there are Surplus H Shares, the Excess Number of H Shares as is equal to the proportion which such Excess Number of Shares bears to the aggregate Excess Number of Shares in all Forms of Acceptance up to 388,917,038 H Shares.
- 5.3 Forms of Acceptance which have been duly completed and received by the Registrar by no later than the Latest Acceptance Time will constitute irrevocable acceptances of the Offer after the Offer has been declared unconditional.
- 5.4 All of the H Shares bought-back by the Company will be free of commissions and dealing charges, but seller's ad valorem stamp duty payable by the accepting Qualifying Shareholders, calculated at a rate of HK\$1.00 for every HK\$1,000 or part thereof of the market value of the H Shares to be bought-back under the Offer or the consideration payable by the Company in respect of the relevant acceptances of the Offer, whichever is the higher, will be deducted by the Company from the amount payable to the accepting Qualifying Shareholders. The Company will arrange for payment of the seller's ad valorem stamp duty on behalf of the accepting Qualifying Shareholders to the Stamp Office in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).
- 5.5 All H Shares bought-back under the Offer will be cancelled in accordance with the articles of association of the Company and will not rank for any dividends declared on or after the Final Closing Date.
- 5.6 Subject to the Offer becoming unconditional, the submission of a Form of Acceptance by an accepting Qualifying Shareholder in the manner described in 5.1 above will be deemed to constitute a warranty from such accepting Qualifying Shareholder to CICC and the Company that all H Shares sold by such accepting Qualifying Shareholder under the Offer are fully paid and are held by the Qualifying Shareholder as at the Final Closing Date free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching thereto on or after the Final Closing Date.

6. Assured Entitlements and Excess Number of Shares

- 6.1 Shares tendered for acceptance of the Offer by each accepting Qualifying Shareholder to the extent of his/her/its Assured Entitlement will be accepted in full.
- 6.2 The number of Shares which may be bought-back from an accepting Qualifying Shareholder may exceed his or her or its Assured Entitlement if any other Qualifying Shareholder either tenders no acceptance in respect of the Offer or accepts the Offer in respect of fewer Shares than is represented by his/her/its Assured Entitlement.
- 6.3 In the event that the total number of Shares acceded to the Offer exceeds 388,917,038 Shares, the Company will buy-back Shares in excess of the Assured Entitlements of the accepting Qualifying Shareholders in accordance with the following formula (save that the Company may in its absolute discretion round such figure up or down with the intention of avoiding (as far as practicable) Shares being held by the Qualifying Shareholders in odd lots or fractional entitlements):

$$\frac{(388,917,038 - A) \times C}{B}$$

- A: Total number of H Shares in respect of which the Offer is validly accepted by all Qualifying Shareholders up to and including their respective Assured Entitlements. For the avoidance of doubt, "A" excludes any H Shares validly accepted by Qualifying Shareholders in excess of their respective Assured Entitlements. By way of elaboration, in the event that only certain (but not all) of the H Share Shareholders tender their holdings pursuant to the Offer and/or where certain H Share Shareholders accept the Offer to the extent that is less than their respective Assured Entitlements, "A" will be less than 388,917,038 and the formula will produce a result for the Company to buy-back H Shares in excess of the Assured Entitlements for those Qualifying Shareholders who have validly accepted the Offer
- B: Total number of H Shares in respect of which the Offer is validly accepted by Qualifying Shareholders in excess of their Assured Entitlements
- C: Number of H Shares in respect of which the Offer is validly accepted by a particular Qualifying Shareholder in excess of his/her/its Assured Entitlement
- 6.4 The decision of the Company as to any scaling down of acceptances of the Offer in excess of the Assured Entitlements and as to the treatment of odd lots or fractional entitlements will be conclusive and binding on all the accepting Qualifying Shareholders.

6.5 In the event that the total number of Shares acceded to the Offer is less than or equal to 388,917,038 Shares, acceptances of the Offer in excess of the Assured Entitlements will be taken up in full.

7. Odd lots

7.1 The existing board lot size of 200 H Shares per board lot will remain unchanged after the Offer. Accepting Qualifying Shareholders should note that acceptance of the Offer may result in their holding of odd lots of H Shares.

8. Acceptance period

8.1 **If the Offer becomes unconditional, the Offer will remain open for acceptance for a period of 28 days thereafter and will not be extended.** In order to be valid, the duly completed Form of Acceptance, together with the Title Documents in respect of such number of H Shares which the relevant accepting Qualifying Shareholders intend to accept under the Offer, must be delivered to and received by the Registrar by no later than the Latest Acceptance Time, which is currently expected to be 4:00 p.m. on 6 July 2018, or such later time and/or date as the Company may, with the prior consent of the Executive, decide and announce.

8.2 The date when the last one of the Conditions is expected to be satisfied is 8 June 2018. Such date may be postponed by the Company, subject to the prior consent of the Executive.

9. Irrevocable acceptances

Acceptances by the Qualifying Shareholders under the Offer will be irrevocable and cannot be withdrawn after the Offer becomes unconditional except as otherwise decided by the Executive pursuant to the Codes. For the avoidance of doubt, Qualifying Shareholders will be entitled to revoke and withdraw their acceptances tendered prior to the date on which the Offer should become unconditional, being the date of the AGM and the Class Meetings at which the relevant resolutions to approve the Offer will be proposed.

10. General

- 10.1 By validly accepting the Offer, Qualifying Shareholders will sell to the Company their tendered H Shares which are finally taken up by the Company free from all encumbrances and together with all rights and benefits at any time accruing thereto, including all rights to any dividend or other distributions (if any) declared, made or paid on or after the closing date of the Offer. Any dividends or other distributions declared, made or paid before the closing date of the Offer will be paid by the Company to the H Share Shareholders who are qualified for such dividends or distributions. As disclosed in the annual results announcement of the Company dated 28 March 2018, the Board has recommended the payment of a final cash dividend of RMB0.32 per H Share for the year ended 31 December 2017 to H Share Shareholders whose names appear on the Final Dividend Record Date. Accordingly, for Qualifying Shareholders who accept the Offer after the Final Dividend Record Date and whose names appear on the register of members on the Final Dividend Record Date shall be entitled to (i) the final cash dividend (if approved by Shareholders in the 2017 annual general meeting) and (ii) cash consideration of HK\$11.78 per H Share under the Offer. The Final Dividend Record Date falls within the Offer Period.
- 10.2 Qualifying Shareholders may accept the Offer by completing and returning the accompanying Form of Acceptance in accordance with the instructions set out in this Offer Document and the instructions printed on the Form of Acceptance. A Form of Acceptance may be rejected as invalid if the procedures contained in this Offer Document and in the Form of Acceptance are not complied with.
- 10.3 The Offer and all acceptances of it, the Forms of Acceptance and all contracts made pursuant to the Offer, and all actions taken or made or deemed to be taken or made pursuant to these terms will be governed by and construed in accordance with Hong Kong laws. Delivery of a Form of Acceptance will constitute submission to the non-exclusive jurisdiction of the Hong Kong courts.
- 10.4 Failure of any person to receive this Offer Document will not invalidate any aspect of the Offer. Extra prints of this Offer Document will be available for collection by any Qualifying Shareholder at the office of the Registrar and the principal place of business of the Company during office hours between the date of despatch of this Offer Document and the Latest Acceptance Time, and on the Stock Exchange's website at www.hkexnews.hk, and the Company's website at (<http://www.chinaredstar.com/EN/>).

- 10.5 The right of acceptance of the Offer is personal to the Qualifying Shareholders and is not capable of being assigned or renounced in favour of others or otherwise transferred by the Qualifying Shareholders.
- 10.6 The Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong. An acceptance will be rejected as invalid unless it complies with Note 1 to Rule 30.2 of the Code.
- 10.7 All communications, notices, Forms of Acceptance, Title Documents and remittances to be delivered or sent by, to or from any Qualifying Shareholder will be delivered or sent by, to or from them, or their designated agents, at their risk and none of the Company, CICC, the Registrar or any of their respective directors or any other persons involved in the Offer accepts any liability for any loss or any other liabilities whatsoever which may arise in respect thereof.
- 10.8 Should any Qualifying Shareholder require any assistance in completing the Form of Acceptance or have any enquiries regarding the procedures for tendering and settlement or any other similar aspect of the Offer, such Qualifying Shareholder may contact the Registrar at its hotline at (852) 2862 8555 during the period from Tuesday, 24 April 2018 to Friday, 6 July 2018, being the closing date of the Offer (both days inclusive) between 9:00 a.m. and 6:00 p.m. from Mondays to Fridays (other than public holidays).

OVERSEAS H SHARE SHAREHOLDERS

This Offer Document will not be filed under the applicable securities or equivalent legislation or rules of any jurisdictions other than Hong Kong.

As the Offer to the persons not resident in Hong Kong may be affected by the laws of the relevant jurisdictions, the Overseas H Share Shareholders should inform themselves about and observe all applicable legal or regulatory requirements and, where considered necessary, seek legal advice.

As at the Latest Practicable Date, there was no Overseas H Share Shareholder based on the latest available H Share Shareholders' register and accordingly there is no Excluded Shareholder.

It is the responsibility of each Overseas H Share Shareholder who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required in compliance with all necessary formalities or legal requirements and the payment of any transfer or other taxes due in such relevant jurisdictions. Any acceptance by any H Share Shareholder will be deemed to constitute a representation and warranty from such H Share Shareholder to the Company that the local laws and requirements have been complied with. H Share Shareholders should consult their professional advisers if in doubt.

PROCEDURES FOR ACCEPTANCE AND SETTLEMENT

1. General procedures for acceptance

- 1.1 In order to accept the Offer, Qualifying Shareholders should complete and return the accompanying Form of Acceptance in accordance with the instructions set out in this Offer Document and the instructions printed on the Form of Acceptance. The instructions set out in this Offer Document should be read together with the instructions printed on the Form of Acceptance (which instructions form part of the terms of the Offer).
- 1.2 In order to be valid, the duly completed Form of Acceptance, together with the Title Documents in respect of such number of Shares which the relevant Qualifying Shareholder intends to accept under the Offer, should be delivered by post or by hand to the Registrar, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, in an envelope marked “**Red Star Macalline Group Corporation Limited – Buy-Back Offer**” as soon as possible after receipt of the Form of Acceptance but in any event so as to reach the Registrar by no later than 4:00 p.m. on 6 July 2018, or such later time and/or date as the Company may, with the prior consent of the Executive, decide and announce.
- 1.3 No Form of Acceptance received after the Latest Acceptance Time will be accepted.
- 1.4 If the Form of Acceptance is executed by a person other than the registered holder, appropriate evidence of authority (e.g. a grant of probate or certified copy of a power of attorney) must be delivered to the Registrar with the completed Form of Acceptance.
- 1.5 No acknowledgement of receipt of any Form of Acceptance or Title Documents will be given.

1.6 The Company reserves the right, at its sole discretion, to investigate, in relation to any acceptance, whether the representations and warranties set out in this appendix could have been properly given by the relevant Qualifying Shareholder and, if such investigation is made and as a result the Company determines (for any reason) that any such representation and/or warranty could not have been properly given, such acceptance may be rejected as invalid.

1.7 Only one Form of Acceptance may be submitted by each Qualifying Shareholder to the Registrar.

2. Nominee holdings

2.1 If the Title Documents in respect of a Qualifying Shareholder's H Shares are in the name of a nominee company or a name other than his/her/its own, and such Qualifying Shareholder wishes to accept the Offer (either in full or in respect of part of his/her holding(s) of H Shares), he/she/it must either:

- (i) instruct the nominee company, or other nominee to accept the Offer on his/her/its behalf and requesting it to deliver the Form of Acceptance duly completed together with the Title Documents to the Registrar within such deadline (which may be earlier than the deadline specified under the Offer) as may be stipulated by the nominee; or
- (ii) arrange for the H Shares to be registered in his/her/its name by the Company through the Registrar, and send the Form of Acceptance duly completed together with the Title Documents to the Registrar; or
- (iii) where his/her/its H Shares have been maintained with his/her/its licensed securities dealer/custodian bank through CCASS, instruct his/her/its licensed securities dealer/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on his/her/its behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, that Qualifying Shareholder should check with his/her/its broker/custodian bank for the timing on processing of his/her instruction, and submit such instruction to his/her/its broker/custodian bank as required by them; or
- (iv) if that Qualifying Shareholder's H Shares have been lodged with his/her/its Investor Participant Account with CCASS, authorise his/her/its instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.

2.2 Qualifying Shareholders whose H Shares are held by nominee(s) should ensure that they undertake the above applicable course of action promptly so as to allow their nominee(s) sufficient time to complete the acceptance procedure on their behalf by the Latest Acceptance Time.

3. Recent transfers

If a Qualifying Shareholder has lodged transfer(s) of H Shares for registration in his/her/its name and has not yet received the H Share certificate(s) and wishes to accept the Offer, he/she/it should nevertheless complete the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by him/her by no later than the Latest Acceptance Time. Such action will be deemed to be an authority to the Company or its agent(s) to collect from the Company or the Registrar on his/her/its behalf the relevant H Share certificate(s) when issued and to deliver such H Share certificate(s), subject to the terms of the Offer, as if it/they was/were delivered to the Registrar with the Form of Acceptance.

4. Lost or unavailable share certificates

4.1 If the Title Document(s) is/are not readily available and/or is/are lost and a Qualifying Shareholder wishes to accept the Offer, the Form of Acceptance should nevertheless be completed and delivered to the Registrar so as to reach the Registrar by no later than the Latest Acceptance Time and the Title Documents should be forwarded to the Registrar as soon as possible thereafter and in any event before the Latest Acceptance Time.

4.2 If a Qualifying Shareholder has lost his/her/its Title Document(s), he/she/it should write to the Registrar and request a form of letter of indemnity in respect of the lost Title Document(s) (as the case may be) which, when completed in accordance with the instructions given, should be returned, together with the Form of Acceptance and any Title Documents which are available, to the Registrar either by post or by hand, so to arrive not later than the Latest Acceptance Time. In such case, such Qualifying Shareholder will be informed of the fees payable to the Registrar for which he/she/it will be responsible.

5. Additional Forms of Acceptance

If a Qualifying Shareholder has lost the accompanying Form of Acceptance or such original has become unusable, and requires a replacement of such form, he/she should write to the Registrar or visit the Registrar at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong. Alternatively, he/she could download it from the website of the Stock Exchange at www.hkexnews.hk or the Company’s website at (<http://www.chinaredstar.com/EN/>).

6. Settlement

- 6.1 Pursuant to Rule 20.1(b) of the Takeovers Code and given that the date of the AGM and the Class Meetings and the Final Closing Date will not be extended, the H Shares represented by acceptances of the Offer shall be paid for by the Company as soon as possible but in any event within 7 business days following the close of the Offer.
- 6.2 Subject to the Offer becoming unconditional and provided that a duly completed Form of Acceptance accompanied by the relevant Title Documents are received by the Registrar by no later than the Latest Acceptance Time and are or are deemed to be in order, the Registrar will inform the relevant accepting Qualifying Shareholder by post of the buy-back of his/her/its Shares, including the number of H Shares to be purchased from his/her/its Excess Number of Shares, if any. At the same time, the Registrar will send, by ordinary post at that accepting Qualifying Shareholder's risk, a remittance for such total amount as is due to that accepting Qualifying Shareholder under the Offer, subject to deduction pursuant to paragraph 5.4 in the section headed "Terms and Conditions of the Offer" of this appendix, as soon as possible but in any event within 7 business days of the close of the Offer.
- 6.3 If the Offer does not become unconditional, the Title Documents will be returned and/or sent to each accepting Qualifying Shareholder (by ordinary post at that accepting Qualifying Shareholder's own risk) within 7 business days of the lapse of the Offer. Where any accepting Qualifying Shareholder has sent one or more transfer receipt(s) and in the meantime one or more H Share certificate(s) has/have been collected on that accepting Qualifying Shareholder's behalf in respect thereof, that accepting Qualifying Shareholder will be sent (by ordinary post at his/her own risk) such H Share certificate(s) in lieu of the transfer receipt(s).
- 6.4 If the Excess Number of H Shares of an accepting Qualifying Shareholder has not been bought-back by the Company in full, the Title Documents in respect of the balance of such H Shares or a replaced certificate therefor will be returned or sent to him/her/it by ordinary post at his/her own risk as soon as possible but in any event within 7 business days of the close of the Offer.

7. New H Share Shareholders

Any new H Shareholder may collect a copy of this Offer Document from the Registrar at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong during business hours between 24 April 2018 to the closing date of the Offer, both dates inclusive. Such H Share Shareholder may also contact the Registrar (through the enquiry hotline referred to in paragraph 10.8 under the section headed "Terms and Conditions of the Offer" of this appendix) and request a copy of this Offer Document to be sent to his/her/its registered address as recorded in the Register.

EFFECT OF ACCEPTANCE OF THE OFFER BY THE QUALIFYING SHAREHOLDERS

Each Qualifying Shareholder by whom, or on whose behalf, a Form of Acceptance is executed irrevocably undertakes, represents, warrants and agrees to and with the Company and CICC (so as to bind him/her/it, his/her/its personal representatives, heirs, successors and assigns) to the effect:

1. Representations and warranties

that by delivery to the Registrar a duly completed Form of Acceptance accompanied with the Title Documents, the accepting Qualifying Shareholder represents and warrants to the Company and CICC:

- (a) that he/she/it owns and has full power and authority to tender, sell, assign and transfer all the H Shares (together with all rights attaching thereto) specified in such Form of Acceptance for buy-back and that the H Shares are fully paid, free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching thereto on or after the Final Closing Date; and
- (b) that if he/she is a resident in or a citizen or it is a company incorporated under the laws of a jurisdiction outside Hong Kong, he/she/it has fully observed any applicable legal or other requirements and that the Offer may be accepted by him/her/it lawfully under the laws of the relevant jurisdiction;

2. Appointment and authority

that the execution of the Form of Acceptance constitutes:

- (a) the irrevocable appointment of any director or officer of the Company or CICC, or such other person as any of them may direct, as such accepting Qualifying Shareholder's agent (the "**Agent**"); and
- (b) an irrevocable instruction to the Agent to complete and execute the Form of Acceptance and/or any other document at the Agent's discretion on behalf of such accepting Qualifying Shareholder and to do any other acts or things as may in the opinion of the Agent be necessary, expedient or desirable for the purpose of the Company repurchasing some or all of the H Shares (as the Company may in its absolute discretion determine) of such accepting Qualifying Shareholder;

3. Undertakings

that by duly executing the Form of Acceptance (including the deemed acceptance situation as described in “Deeming provisions” above, he/she/it:

- (a) agrees to ratify and confirm each and every act or thing which may be done or effected by the Company or any Agent in the proper exercise of its or his/her/its powers and/or authorities under the terms of the Offer;
- (b) undertakes to deliver to the Registrar the Title Documents in respect of the H Shares for which the Offer is (or is deemed to be) accepted, or an indemnity or indemnities acceptable to the Company in lieu thereof, or to procure the delivery of such document(s) to such person as soon as possible thereafter and, in any event, no later than the Latest Acceptance Time;
- (c) accepts that the provisions of the Form of Acceptance and the other terms and conditions in this Offer Document are deemed to be incorporated into the terms and conditions of the Offer;
- (d) undertakes to execute any further documents, take any further action and give any further assurances which may be required in connection with his/her/its acceptance of the Offer as the Company may consider to be necessary, expedient or desirable, including without limitation, to complete the buy-back of any Shares in respect of which he/she/it has accepted or is deemed to have accepted the Offer free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching thereto on or after the date when the Offer Period begins and/or to perfect any of the authorities expressed to be given hereunder;
- (e) authorises the Company or the Agent to procure the despatch by post of the consideration to which he/she/it is entitled at his/her/its risk to the first-named holder at his/her/its registered address in Box 3 of the Form of Acceptance; and
- (f) submits to the jurisdiction of the courts of Hong Kong in relation to all matters arising out of or in connection with the Offer or this Offer Document.

TAXATION

Qualifying Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offer. It is emphasised that none of the Company, its ultimate beneficial owners and parties acting in concert with any of them, CICC, Halcyon, the Registrar or any of their respective directors or any persons involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Offer.

ANNOUNCEMENTS

1. Following the AGM and the Class Meetings at which the Offer is to be approved by the Shareholders, the Company will announce through the Stock Exchange's website the results of the AGM and the Class Meetings and whether or not the Offer has become unconditional.
2. By 6:00 p.m. (or such later time as the Executive may permit) on the Final Closing Date, the Company will inform the Executive and the Stock Exchange of the closing and the results of the Offer and will publish an announcement through the website of the Stock Exchange by 7:00 p.m. on such date stating that the Offer has closed. A draft of such announcement must be submitted to the Executive and the Stock Exchange by 6:00 p.m. for clearance and publication of such announcement duly cleared must be made through the website of the Stock Exchange by 7:00 p.m. on the same day. The announcement will (except in the case of lapse of the Offer) state the following:
 - (i) the total number of H Shares and rights over H Shares for which acceptances of the Offer have been received;
 - (ii) the total number of H Shares and rights over H Shares held, controlled or directed by the Company or any persons acting in concert with it before the Offer Period; and
 - (iii) the total number of H Shares and rights over H Shares acquired or agreed to be acquired during the Offer Period by the Company or any persons acting in concert with it.

The announcement must include details of any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) in the Company which the Company or any persons acting in concert with the Company has borrowed or lent, save for any borrowed H Shares which have been either on-lent or sold. The announcement must specify the percentages of the relevant classes of Share capital, and the percentages of voting rights, represented by these numbers.

INTERPRETATION

1. A reference in this Offer Document to a Qualifying Shareholder includes a reference to a person who, by reason of an acquisition or transfer of H Shares, is entitled to execute a Form of Acceptance and in the event of more than one person executing a Form of Acceptance, the provisions of this Offer Document apply to them jointly and severally.
2. A reference in this Offer Document and the Form of Acceptance to the masculine gender includes the feminine and neuter genders, and a reference to the singular includes the plural, and vice versa.

1. FINANCIAL SUMMARY

Set out below is a summary of the selected financial information of the Group for each of the three years ended 31 December 2017, 2016 and 2015 as extracted from the audited financial statements as set out in the annual reports of the Company.

	For the year ended 31 December		
	2017 <i>RMB'000</i> (Audited)	2016 <i>RMB'000</i> (Audited, restated)	2015 <i>RMB'000</i> (Audited)
RESULTS			
Revenue	10,959,513	9,436,082	8,756,120
Profit before taxation	5,986,037	4,801,518	5,942,357
Income tax expense	(1,708,023)	(1,128,076)	(1,572,602)
Profit for the year	<u>4,278,014</u>	<u>3,673,442</u>	<u>4,369,755</u>
Profit (loss) for the year attributable to:			
Owners of the Company	4,077,898	3,397,183	4,098,068
Non-controlling interests	200,116	276,259	271,687
	<u>4,278,014</u>	<u>3,673,442</u>	<u>4,369,755</u>
Earnings (loss) per Share (expressed in RMB)			
– Basic	<u>1.13</u>	<u>0.94</u>	<u>1.22</u>
– Diluted	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

	For the year ended 31 December		
	2017	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Audited, restated)	(Audited)
ASSETS AND LIABILITIES			
Total assets	97,014,624	81,535,404	83,189,573
Total liabilities	(53,082,651)	(41,614,631)	(37,921,369)
	43,931,973	39,920,773	45,268,204
Equity attributable to:			
Owners of the Company	40,426,772	36,565,852	41,144,559
Non-controlling interests	3,505,201	3,354,921	4,123,645
	43,931,973	39,920,773	45,268,204

Notes:

- Subsequent to the end of each reporting period, a final dividend in respect of the respective reporting period has been proposed by the Board:

	For the year ended 31 December		
	2017	2016	2015
Proposed final dividend (<i>RMB'000</i>)	1,260,453	1,522,045	1,703,241
Proposed final dividend per Share (<i>RMB</i>)	0.32	0.42	0.47

- Save as disclosed under the section headed "2. Audited Financial Statements" in this appendix, there are no exceptional items or extraordinary items because of size, nature or incidence in each of the three financial years 31 December 2017, 2016 and 2015.
- No qualified opinion has been issued by the Company's auditors in respect of the audited consolidated financial statements for each of the three financial years ended 2017, 2016 and 2015.
- The selected financial information for the year ended 31 December 2017 and 2016 were extracted from the audited financial statements for the year ended 31 December 2017 prepared in accordance with China Accounting Standards for Business Enterprises ("CASBE"), while the selected financial information for the year ended 31 December 2015 was extracted from the audited financial statements of the Group for the corresponding reporting period prepared in accordance with the International Financial Reporting Standards.

5. Alignment in the Disclosure of Financial Statements in Accordance with the CASBE

Since the date on which the H Shares of the Company became listed on the Hong Kong Stock Exchange, the Company has been preparing its financial statements under both the CASBE and the IFRS. According to the “Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong” published by the Hong Kong Stock Exchange in December 2010, PRC incorporated issuers listed in Hong Kong are allowed to prepare their financial statements in accordance with the CASBE and PRC audit firms approved by the MOF and the CSRC are allowed to audit these financial statements prepared in accordance with the CASBE (the “Arrangement”).

Pursuant to Articles 151 and 152 of the Company’s articles of association, the financial statements of, interim results or financial data announced or disclosed by the Company, shall be prepared in accordance with the relevant PRC accounting standards and regulations as well as the IFRS or the accounting standards generally accepted in the jurisdiction of the overseas listing place. As confirmed by our PRC counsel, we are allowed to adopt the CASBE to prepare and disclose our financial statements under the articles of association.

In view of the Arrangement and in order to facilitate the application process with the CSRC in relation to the proposed A share offering by the Company as well as to improve the efficiency and reduce the cost of disclosure and audit expenses, the Board passed a resolution on 23 August 2017 to approve the disclosure of financial statements for the Company under the CASBE. For further details, please refer to the announcement of the Company dated 23 August 2017.

2. AUDITED FINANCIAL STATEMENTS

Set out below is the full text of the audited financial statements of the Group for the year ended 31 December 2017 extracted from the annual report of the Company for the year ended 31 December 2017.

CONSOLIDATED BALANCE SHEET

At 31 December 2017

RMB

Item	Notes	Closing balance	Opening balance
Current Assets:			
Cash and bank balances	(V)1	10,626,917,788.54	6,137,865,114.87
Notes receivable	(V)2	3,000,000.00	900,000.00
Accounts receivable	(V)3	1,167,430,013.77	799,810,037.69
Prepayments	(V)4	267,777,107.29	164,841,803.45
Other receivables	(V)5	1,734,498,124.83	978,680,238.37
Inventories	(V)6	120,291,360.44	45,423,343.28
Non-current assets due within one year	(V)7	120,000,000.00	45,000,000.00
Other current assets	(V)7	527,577,887.53	623,564,454.04
Total Current Assets		14,567,492,282.40	8,796,084,991.70
Non-current Assets:			
Available-for-sale financial assets	(V)8	3,062,451,062.40	544,401,221.29
Long-term receivables	(V)9	1,301,785,294.30	827,660,977.03
Long-term equity investments	(V)10	1,613,818,294.75	1,012,646,573.83
Investment properties	(V)11	70,831,000,000.00	66,948,000,000.00
Fixed assets	(V)12	158,862,688.00	141,662,812.14
Construction in progress	(V)13	66,100,052.88	65,975,322.44
Intangible assets	(V)14	458,617,045.42	428,854,402.41
Development expenditure	(V)15	29,418,402.19	38,967,363.83
Goodwill	(V)16	16,592,357.41	16,592,357.41
Long-term prepaid expenses	(V)17	229,333,419.48	171,207,612.77
Deferred tax assets	(V)18	718,579,066.08	594,604,457.35
Other non-current assets	(V)19	3,960,574,126.00	1,948,746,010.92
Total non-current assets		82,447,131,808.91	72,739,319,111.42
Total assets		97,014,624,091.31	81,535,404,103.12
Current liabilities:			
Short-term loans	(V)20	300,010,000.00	500,010,000.00
Accounts payable	(V)21	491,215,018.66	353,219,391.21
Advance from customers	(V)22	3,068,282,301.16	2,067,113,177.08
Payroll payable	(V)23	800,537,116.04	540,096,177.35
Taxes payables	(V)24	927,266,639.50	453,974,032.68
Interest payables	(V)25	178,691,354.69	120,291,237.11
Dividends payable	(V)26	61,960,000.00	138,500,000.00
Other payables	(V)27	7,338,709,537.17	5,158,966,317.83
Non-current liabilities due within one year	(V)28	9,550,075,473.97	4,210,031,348.15
Total current liabilities		22,716,747,441.19	13,542,201,681.41

RMB

Item	Notes	Closing balance	Opening balance
Non-current liabilities:			
Long-term loans	(V)29	11,372,664,484.81	8,447,537,245.75
Bonds payable	(V)30	4,896,478,160.15	8,434,100,693.31
Long-term payables	(V)31	1,415,698,075.42	1,475,711,651.18
Deferred income	(V)32	192,141,221.74	195,413,309.31
Deferred tax liabilities	(V)18	9,714,400,823.89	9,104,345,882.92
Other non-current liabilities	(V)33	2,774,520,500.00	415,320,500.00
Total non-current liabilities		30,365,903,266.01	28,072,429,282.47
Total liabilities		53,082,650,707.20	41,614,630,963.88
Equity:			
Share capital	(V)34	3,623,917,038.00	3,623,917,038.00
Capital reserve	(V)35	5,362,115,385.55	5,620,013,738.96
Other comprehensive income	(V)36	1,562,965,633.10	–
Surplus reserve	(V)37	1,623,080,808.19	1,226,111,855.65
Retained earnings	(V)38	28,254,693,080.77	26,095,809,439.81
Total equity attributable to shareholders of the Company		40,426,771,945.61	36,565,852,072.42
Non-controlling interests		3,505,201,438.50	3,354,921,066.82
Total equity		43,931,973,384.11	39,920,773,139.24
Total liabilities and equity		97,014,624,091.31	81,535,404,103.12

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

RMB

Item	Notes	Amount for the current period	Amount for the prior period
I. Revenue	(V)39	10,959,512,669.77	9,436,081,755.29
Less: Costs of sales	(V)39	3,163,193,516.38	2,612,767,511.67
Taxes and surcharges	(V)40	317,329,519.05	413,922,513.42
Distribution and selling expenses	(V)41	1,513,829,389.14	1,205,697,587.59
General and administrative expenses	(V)42	1,361,788,199.04	935,078,887.46
Financial expenses	(V)43	1,131,840,043.65	877,707,890.38
Impairment loss of assets	(V)44	283,436,250.82	572,890,325.59
Add: Gain on fair value changes	(V)45	1,996,188,694.30	1,754,032,308.00
Investment income	(V)46	633,897,111.33	130,896,456.03
Including: Investment income from associates and joint ventures		129,258,920.85	136,217,986.32
Gains/(Losses) from disposal of assets	(V)47	35,964,572.41	(4,615,478.68)
Other income	(V)48	62,288,005.83	–
II. Operating profit		5,916,434,135.56	4,698,330,324.53
Add: Non-operating income	(V)49	112,250,229.35	119,076,037.54
Less: Non-operating expenses	(V)50	42,647,769.39	15,888,661.20
III. Total profit		5,986,036,595.52	4,801,517,700.87
Less: Income tax expenses	(V)51	1,708,022,775.23	1,128,075,879.79
IV. Net profit		4,278,013,820.29	3,673,441,821.08
(1) According to the classification of continuity of operation			
1. Net profit from continuing operations		4,278,013,820.29	3,673,441,821.08
2. Net profit from discontinued operations		–	–
(2) According to the classification of ownership			
1. Non-controlling interests		200,116,070.83	276,258,586.76
2. Net profit attributable to owners of the Company		4,077,897,749.46	3,397,183,234.32
V. Other comprehensive income (after tax)		1,736,628,481.22	–
Other comprehensive income (after tax) attributable to owners of the Company		1,562,965,633.10	–
(1) Other comprehensive income that will not be reclassified to profit or loss		–	–
(2) Other comprehensive income that will be reclassified to profit or loss		1,562,965,633.10	–
1. Gain or loss on changes in fair value of available-for-sale financial assets		1,562,965,633.10	–
Other comprehensive income (after tax) attributable to non-controlling interests		173,662,848.12	–
VI. Total comprehensive income		6,014,642,301.51	3,673,441,821.08
Total comprehensive income attributable to owners of the Company		5,640,863,382.56	3,397,183,234.32
Total comprehensive income attributable to non-controlling interests		373,778,918.95	276,258,586.76
VII. Earnings per share:			
(1) Basic earnings per share	(V)52	1.13	0.94
(2) Diluted earnings per share	(V)52	N/A	N/A

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2017

RMB

	Notes	Amount for the current period	Amount for the prior period
I. Cash Flows from Operating Activities:			
Cash received from the sales of goods and rendering of services		12,184,489,800.57	9,429,560,443.73
Other cash received relating to operating activities	(V)53(1)	2,272,530,770.97	653,445,383.04
Sub-total of cash inflow from operating activities		14,457,020,571.54	10,083,005,826.77
Cash payments for goods purchased and services received		1,353,768,114.19	931,576,478.69
Cash payments to and on behalf of employees		2,731,713,050.70	2,012,983,198.59
Payments of various types of taxes		1,439,972,395.48	1,681,409,743.73
Other cash payments relating to operating activities	(V)53(2)	2,413,208,082.34	1,473,107,648.81
Sub-total of cash outflow from operating activities		7,938,661,642.71	6,099,077,069.82
Net Cash Flows from Operating Activities	(V)54(1)	6,518,358,928.83	3,983,928,756.95
II. Cash Flows from Investing Activities:			
Cash received from disposal of investments		86,800,000.00	34,567,187.71
Cash received from investment income		1,025,000.00	3,060,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		38,051,932.66	490,241.82
Net cash received from disposal of subsidiaries and other business units	(V)54(3)	2,781,119,596.23	–
Other cash received relating to investing activities	(V)53(3)	1,322,168,756.14	1,061,139,192.43
Sub-total of cash inflow from investing activities		4,229,165,285.03	1,099,256,621.96
Cash paid to purchase and construct fixed assets, intangible assets and other long-term assets		5,840,426,576.29	3,265,420,672.51
Cash paid for investments		1,607,414,912.91	569,828,606.80
Net cash paid for acquisition of subsidiaries and other business units	(V)54(2)	740,285,674.10	783,363,520.86
Net cash paid for disposal of subsidiaries and other business units	(V)54(3)	–	3,417,768.61
Other cash paid relating to investing activities	(V)53(4)	2,052,152,346.63	1,385,951,191.70
Sub-total of cash outflow from investing activities		10,240,279,509.93	6,007,981,760.48
Net Cash Flow from Investing Activities		(6,011,114,224.90)	(4,908,725,138.52)

		<i>RMB</i>
	<i>Notes</i>	Amount for the prior period
		Amount for the current period
III. Cash Flows from Financing Activities:		
Cash receipts from capital contributions		10,000,000.00
Including: cash receipts from capital contributions from minority shareholders of subsidiaries		10,000,000.00
Cash received from borrowings		8,123,460,188.66
Other cash received relating to financing activities	(V)53(5)	10,350,000.00
Sub-total of cash inflow from financing activities		8,143,810,188.66
Cash repayments of borrowings		3,753,847,777.65
Cash payments for distribution of dividends or profits or settlement of interest expenses		2,881,381,326.74
Including: payments for distribution of dividends or profits to minority shareholders of subsidiaries		85,063,283.72
Other cash payments relating to financing activities	(V)53(6)	239,824,396.92
Sub-total of cash outflow from financing activities		6,875,053,501.31
Net Cash Flow from Financing Activities		1,268,756,687.35
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		–
V. Net Increase in Cash and Cash Equivalents		343,960,305.78
Add: Opening balance of cash and cash equivalents	(V)54(4)	5,548,464,401.64
VI. Closing balance of cash and cash equivalents	(V)54(4)	5,892,424,707.42

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

RMB

Item	Amount for the current period							Non-controlling interest	Total equity
	Attributable to shareholders of the Company								
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Sub-total			
I. Balance at the beginning of the year	3,623,917,038.00	5,620,013,738.96	-	1,226,111,855.65	26,095,809,439.81	36,565,852,072.42	3,354,921,066.82	39,920,773,139.24	
II. Changes in the current year									
(I) Net profit	-	-	-	-	4,077,897,749.46	4,077,897,749.46	200,116,070.83	4,278,013,820.29	
(II) Total comprehensive income	-	-	1,562,965,633.10	-	-	1,562,965,633.10	173,662,848.12	1,736,628,481.22	
Sub-total of (I) and (II)	-	-	1,562,965,633.10	-	4,077,897,749.46	5,640,863,382.56	373,778,918.95	6,014,642,301.51	
(III) Owners' contributions and reduction in capital									
1. Capital contributions from owners	-	-	-	-	-	-	134,457,880.00	134,457,880.00	
2. Others (Note)	-	(257,898,353.41)	-	-	-	(257,898,353.41)	(261,246,772.92)	(519,145,126.33)	
(IV) Profit distribution									
1. Transfer to surplus reserve	-	-	-	396,968,952.54	(396,968,952.54)	-	-	-	
2. Distributions to shareholders	-	-	-	-	(1,522,045,155.96)	(1,522,045,155.96)	(96,709,654.35)	(1,618,754,810.31)	
III. Balance at the end of the year	<u>3,623,917,038.00</u>	<u>5,362,115,385.55</u>	<u>1,562,965,633.10</u>	<u>1,623,080,808.19</u>	<u>28,254,693,080.77</u>	<u>40,426,771,945.61</u>	<u>3,505,201,438.50</u>	<u>43,931,973,384.11</u>	

Note: Changes in 2017 are primarily attributable to the effect of transactions with minority shareholders. For details, please refer to Note (VII)2.

RMB

Item	Amount for the prior period						Non-controlling interest	Total equity
	Attributable to shareholders of the Company							
	Share capital	Capital reserve	Surplus reserve	Retained earnings	Sub-total			
I. Balance at the beginning of the year	3,623,917,038.00	5,626,975,204.20	1,030,718,136.69	24,597,260,932.31	34,878,871,311.20	3,317,398,984.32	38,196,270,295.52	
II. Changes in the current year								
(I) Net profit	-	-	-	3,397,183,234.32	3,397,183,234.32	276,258,586.76	3,673,441,821.08	
(II) Other comprehensive income	-	-	-	-	-	-	-	
Sub-total of (I) and (II)	-	-	-	3,397,183,234.32	3,397,183,234.32	276,258,586.76	3,673,441,821.08	
(III) Owners' contributions and reduction in capital								
1. Capital contributions from owners	-	-	-	-	-	10,000,000.00	10,000,000.00	
2. Others (Note)	-	(6,961,465.24)	-	-	(6,961,465.24)	(54,023,220.54)	(60,984,685.78)	
(IV) Profit distribution								
1. Transfer to surplus reserve	-	-	195,393,718.96	(195,393,718.96)	-	-	-	
2. Distributions to shareholders	-	-	-	(1,703,241,007.86)	(1,703,241,007.86)	(194,713,283.72)	(1,897,954,291.58)	
III. Balance at the end of the year	<u>3,623,917,038.00</u>	<u>5,620,013,738.96</u>	<u>1,226,111,855.65</u>	<u>26,095,809,439.81</u>	<u>36,565,852,072.42</u>	<u>3,354,921,066.82</u>	<u>39,920,773,139.24</u>	

Note: Changes in 2016 are mainly attributable to the effect of contribution to subsidiaries at premium during the year and the effect of acquisition of non-controlling interest in subsidiaries at discount/premium. For details, please refer to Note (VII)2.

COMPANY'S BALANCE SHEET

At 31 December 2017

RMB

Item	Notes	Closing balance	Opening balance
Current Assets:			
Cash and bank balances		1,969,876,777.44	1,505,388,102.38
Accounts receivable	(XIV)1	484,757,225.91	512,471,830.88
Other receivables	(XIV)2	18,405,457,235.10	17,245,244,177.58
Prepayments		48,766,995.40	485,019,571.78
Dividends receivable		3,131,960,000.00	988,680,000.00
Inventories		5,730,984.40	2,676,389.90
Other current assets		49,830,391.58	127,180,170.73
Total Current Assets		24,096,379,609.83	20,866,660,243.25
Non-current Assets:			
Available-for-sale financial assets		669,543,221.29	189,051,221.29
Long-term receivables		808,560,382.87	622,071,328.39
Long-term equity investments	(XIV)3	11,388,694,251.59	10,887,097,479.63
Fixed assets		25,497,724.38	15,059,226.68
Construction in progress		13,762,311.97	10,333,657.91
Intangible assets	(XIV)4	418,061,037.62	425,166,329.80
Long-term prepaid expenses		21,357,637.10	22,089,620.75
Deferred tax assets		384,913,111.65	346,183,868.71
Other non-current assets	(XIV)5	1,908,490,377.66	964,936,869.68
Total Non-current Assets		15,638,880,056.13	13,481,989,602.84
TOTAL ASSETS		39,735,259,665.96	34,348,649,846.09

RMB

Item	Notes	Closing balance	Opening balance
Current Liabilities:			
Short-term loans		300,010,000.00	500,010,000.00
Accounts payable		121,642,406.76	110,234,392.05
Advance from customers	(XIV)6	731,167,637.28	668,558,019.54
Payroll payable		287,449,474.82	179,716,855.22
Taxes payable	(XIV)7	172,165,530.70	126,615,139.07
Interest payable		101,305,582.17	106,215,655.01
Other payables		11,689,985,295.61	6,582,526,311.12
Non-current liabilities due within one year		5,486,714,288.88	2,929,468,073.32
Total current liabilities		18,890,440,216.22	11,203,344,445.33
Non-current liabilities			
Long-term loans		2,210,000,000.00	1,460,000,000.00
Bonds payable		2,972,912,335.65	8,434,100,693.31
Long-term payables		34,621,903.57	31,663,866.41
Other non-current liabilities		304,520,500.00	344,420,500.00
Total non-current liabilities		5,522,054,739.22	10,270,185,059.72
Total liabilities		24,412,494,955.44	21,473,529,505.05
Equity			
Share capital		3,623,917,038.00	3,623,917,038.00
Capital reserve		5,784,981,095.88	5,784,981,095.88
Surplus reserve		1,443,262,240.96	1,046,293,288.42
Retained earnings		4,470,604,335.68	2,419,928,918.74
Total equity		15,322,764,710.52	12,875,120,341.04
Total liabilities and equity		39,735,259,665.96	34,348,649,846.09

COMPANY'S INCOME STATEMENT

For the year ended 31 December 2017

RMB

Item	Notes	Amount for the current period	Amount for the prior period
I. Revenue	(XIV)8	1,883,634,069.86	1,504,091,874.91
Less: Costs of sales	(XIV)8	276,523,553.00	205,762,466.67
Taxes and surcharges	(XIV)9	10,792,314.26	25,855,093.15
Distribution and selling expenses		377,277,042.14	176,138,932.31
General and administrative expenses		649,245,347.45	471,165,423.41
Financial expenses		357,214,111.15	339,822,456.65
Impairment loss of assets		247,590,661.48	831,163,567.23
Add: Gain on fair value changes		–	–
Investment income	(XIV)10	4,012,981,415.45	2,341,984,767.94
Including: Investment income from associates and joint ventures		93,420,154.33	131,140,153.93
Gains from disposal of assets		358,379.26	20.94
Other income		4,489,199.06	–
II. Operating profit		3,982,820,034.15	1,796,168,724.37
Add: Non-operating income		4,194,339.21	51,847,809.13
Less: Non-operating expenses		10,911,170.27	2,780,419.08
III. Total profit		3,976,103,203.09	1,845,236,114.42
Less: income tax expenses (benefits)	(XIV)11	6,413,677.65	(114,201,985.82)
IV. Net profit		3,969,689,525.44	1,959,438,100.24
(1) Net profit from continuing operations		3,969,689,525.44	1,959,438,100.24
(2) Net profit from discontinued operations		–	–
V. Other comprehensive income (after tax)		–	–
VI. Total comprehensive income		3,969,689,525.44	1,959,438,100.24

COMPANY'S CASH FLOW STATEMENT

For the year ended 31 December 2017

RMB

Item	Notes	Amount for the current period	Amount for the prior period
I. Cash Flows from Operating Activities:			
Cash received from the sales of goods and rendering of services		1,777,718,452.65	913,451,252.86
Other cash received relating to operating activities		32,229,405.94	40,893,634.54
Sub-total of cash inflow from operating activities		1,809,947,858.59	954,344,887.40
Cash payments for goods purchased and services received		93,571,215.65	103,178,723.10
Cash payments to and on behalf of employees		517,453,347.16	369,114,807.06
Payments of various types of taxes		170,876,989.77	158,951,584.07
Other cash payments relating to operating activities		408,387,376.23	302,465,532.64
Sub-total of cash outflow from operating activities		1,190,288,928.81	933,710,646.87
Net Cash Flows from Operating Activities	(XIV)12	619,658,929.78	20,634,240.53
II. Cash Flows from Investing Activities:			
Cash received from disposal of investments		250,000.00	271,059,000.00
Cash received from investment income		111,195,000.00	1,506,859,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		450,976.92	20.94
Net cash received from acquisition or disposal of subsidiaries and other business units		156,700,000.00	-
Other cash received relating to investing activities		30,929,543,209.74	9,846,939,246.00
Sub-total of cash inflow from investing activities		31,198,139,186.66	11,624,857,266.94
Cash paid to purchase and construct fixed assets, intangible assets and other long-term assets		1,203,754,596.19	22,471,426.43
Cash paid for investments		2,012,432,356.51	991,948,924.29
Net cash paid for acquisition of subsidiaries		-	787,598,402.78
Other cash paid relating to investing activities		30,197,086,276.26	15,069,198,031.13
Sub-total of cash outflow from investing activities		33,413,273,228.96	16,871,216,784.63
Net Cash Flow from Investing Activities		(2,215,134,042.30)	(5,246,359,517.69)

RMB

Item	Notes	Amount for the current period	Amount for the prior period
III. Cash Flows from Financing Activities:			
Cash received from borrowings		1,050,010,000.00	5,157,510,000.00
Other cash received relating to financing activities		32,884,755,382.04	64,441,304,947.50
Sub-total of cash inflow from financing activities		33,934,765,382.04	69,598,814,947.50
Cash repayments of borrowings		3,440,010,000.00	1,410,000,000.00
Cash payments for distribution of dividends or profits or settlement of interest expenses		2,377,372,996.83	2,296,354,955.67
Other cash payments relating to financing activities		26,057,418,597.63	61,339,265,270.56
Sub-total of cash outflow from financing activities		31,874,801,594.46	65,045,620,226.23
Net Cash Flow from Financing Activities		2,059,963,787.58	4,553,194,721.27
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents			
		-	-
V. Net Increase in Cash and Cash Equivalents			
Add: Opening balance of cash and cash equivalents	(XIV)12	464,488,675.06	(672,530,555.89)
		1,505,388,102.38	2,177,918,658.27
VI. Closing balance of cash and cash equivalents			
	(XIV)12	1,969,876,777.44	1,505,388,102.38

COMPANY'S STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

RMB

Item	Share capital	Amount for the current period			Total equity
		Capital reserve	Surplus reserve	Retained earnings	
I. Balance at the beginning of the year	3,623,917,038.00	5,784,981,095.88	1,046,293,288.42	2,419,928,918.74	12,875,120,341.04
II. Changes in the current year					
(I) Net profit	-	-	-	3,969,689,525.44	3,969,689,525.44
(II) Other comprehensive income	-	-	-	-	-
Sub-total of (I) and (II)	-	-	-	3,969,689,525.44	3,969,689,525.44
(III) Owners' contributions and reduction in capital					
1. Capital contributions from owners	-	-	-	-	-
(IV) Profit distribution					
1. Transfer to surplus reserve	-	-	396,968,952.54	(396,968,952.54)	-
2. Distributions to shareholders	-	-	-	(1,522,045,155.96)	(1,522,045,155.96)
III. Balance at the end of the year	3,623,917,038.00	5,784,981,095.88	1,443,262,240.96	4,470,604,335.68	15,322,764,710.52

RMB

Item	Share capital	Amount for the prior period			Total equity
		Capital reserve	Surplus reserve	Retained earnings	
I. Balance at the beginning of the year	3,623,917,038.00	5,784,981,095.88	850,899,569.46	2,359,125,545.32	12,618,923,248.66
II. Changes in the current year					
(I) Net profit	-	-	-	1,959,438,100.24	1,959,438,100.24
(II) Other comprehensive income	-	-	-	-	-
Sub-total of (I) and (II)	-	-	-	1,959,438,100.24	1,959,438,100.24
(III) Owners' contributions and reduction in capital					
1. Capital contributions from owners	-	-	-	-	-
2. Others	-	-	-	-	-
(IV) Profit distribution					
1. Transfer to surplus reserve	-	-	195,393,718.96	(195,393,718.96)	-
2. Distributions to shareholders	-	-	-	(1,703,241,007.86)	(1,703,241,007.86)
III. Balance at the end of the year	3,623,917,038.00	5,784,981,095.88	1,046,293,288.42	2,419,928,918.74	12,875,120,341.04

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

(I) GENERAL INFORMATION OF THE COMPANY

Red Star Macalline Group Corporation Ltd. (formerly known as Shanghai Red Star Macalline Home Furnishing Company Limited* (上海紅星美凱龍家居飾品有限公司) and Shanghai Red Star Macalline Enterprise Management Company Limited* (上海紅星美凱龍企業管理有限公司), hereinafter referred to as the “Company”) is a limited liability company jointly established by Shanghai Red Star Macalline Investment Company Limited* (上海紅星美凱龍投資有限公司, renamed to Red Star Macalline Holding Group Company Limited* (紅星美凱龍控股集團有限公司) in December 2016, hereinafter referred to as “RSM Holding”) and Red Star Furniture Group Co., Ltd.* (紅星家具集團有限公司) (hereinafter referred to as “Red Star Furniture Group”) on 18 June 2007 in Shanghai, the People’s Republic of China (the “PRC”), with a term of operation of 10 years and an original registered capital and paid-in capital of RMB120,000,000.00.

On 2 November 2007, Red Star Furniture Group transferred all the 90% equity held by it to RSM Holding, and completed the business registration for such change on 16 November 2007, after which, RSM Holding held 100% equity of the Company.

According to the resolution passed at the general meeting of the Company on 21 November 2008 and as approved by Shanghai Municipal Commission of Commerce in its document dated 12 December 2008(Hu Shang Wai Zi Pi [2008] No.519), the Company decided to increase its registered capital by RMB24,578,313.00, which was contributed by Candlewood Investment SRL and Springwood Investment SRL, two new foreign shareholders. As such, the Company changed in nature from a domestic enterprise into a Sino-foreign joint venture, with its name changed from Shanghai Red Star Macalline Home Furnishing Company Limited to Shanghai Red Star Macalline Enterprise Management Company Limited. After such capital increase, the registered capital and paid-in capital of the Company amounted to RMB144,578,313.00.

According to the absorption and merger agreement of the Company dated 8 August 2009 and the provisions of the Articles of Association as amended, the Company applied to absorb and merge with Tianjin Red Star Macalline Home Decoration Co., Ltd.* (天津紅星美凱龍家飾有限公司) (hereinafter referred to as “Tianjin Red Star”). Tianjin Red Star is a limited liability company established in Tianjin, the PRC on 1 June 2007, with a term of operation of 10 years and an original registered capital of RMB40,000,000.00, and is mainly engaged in the wholesale and retail of and investment management, investment consultation and commodity information consultation in relation to furniture and construction materials, as well as the provision of design planning and management services for the shopping malls under operation. According to the resolution passed at the general meeting of Tianjin Red Star on 1 November 2007 and as approved by Tianjin Municipal Commission of Commerce in its document dated 24 December 2007(Jin Shang Wu Zi Guan [2008] No.680), Tianjin Red Star decided to increase its registered capital by RMB11,880,674.00, which was contributed by Candlewood Investment SRL and Springwood Investment SRL, two new foreign shareholders. As such, Tianjin Red Star changed in nature from a domestic enterprise into a Sino-foreign joint venture. After such capital increase, the registered capital and paid-in capital of Tianjin Red Star amounted to RMB51,880,674.00. The Company had paid its equity to the shareholders of Tianjin Red Star as the aggregate consideration upon the absorption and merger of Tianjin Red Star, after which, the registered capital and paid-in capital of the Company amounted to RMB196,458,987.00.

According to the proposal passed at the Board meeting of the Company on 28 March 2010 and the provisions of the Articles of Association as amended, the Company applied to increase its registered capital by RMB25,960,651.00 to RMB222,419,638.00. Such increase in the registered capital had been contributed in full by the new shareholders, namely Beijing Ruibang Beite Entrepreneur Investment Center (Limited Partnership) (hereinafter referred to as “Beijing Ruibang”), WHWH Group Company Limited (hereinafter referred to as “WHWH”), Beijing Yaxiang Xingtai Investment Company Limited (hereinafter referred to as “Beijing Yaxiang”), Tianjin Jinkai Equity Investment Fund Partnership (Limited Partnership) (hereinafter referred to as “Tianjin Jinkai”), Lianyungang Fairbay Infrastructure Construction Company Limited (hereinafter referred to as “Lianyungang Fairbay”), Mianyang Science and Technology Park Industry Fund (Limited Partnership) (hereinafter referred to as “Mianyang Industry Fund”), Beijing Bainian Decheng Entrepreneur Investment Center (Limited Partnership) (hereinafter referred to as “Beijing Bainian”), Shanghai Yinping Investment Management Company Limited (hereinafter referred to as “Shanghai Yinping”), Shanghai Junyi Investment Consultancy Company Limited (hereinafter referred to as “Shanghai Junyi”), Shanghai Ping’an Pharmacy Company Limited (hereinafter referred to as “Ping’an Pharmacy”) and Nantong Qianjun Construction Material Company Limited (hereinafter referred to as “Nantong Qianjun”). After such capital increase, the registered capital and paid-in capital of the Company amounted to RMB222,419,638.00, and the Company completed the business registration in respect of such change on 1 June 2010.

According to the proposal passed at the Board meeting of the Company on 22 June 2010 and the provisions of the Articles of Association as amended, the Company applied to increase its registered capital by RMB5,866,965.00 to RMB228,286,603.00. Such increase in the registered capital had been contributed in full by the new shareholders, namely Shanghai Meilong Assets Management Company Limited (hereinafter referred to as “Shanghai Meilong”), Shanghai Xingkai Business Administration Company Limited (hereinafter referred to as “Shanghai Xingkai”) and Shanghai Hongmei Investment Management Company Limited (hereinafter referred to as “Shanghai Hongmei”). After such capital increase, the registered capital and paid-in capital of the Company amounted to RMB228,286,603.00, and the Company completed the business registration in respect of such change on 28 July 2010.

According to the approval of the Ministry of Commerce of the People’s Republic of China dated 23 December 2010 (Shang Zi Pi [2010] No. 1266), the resolution of the Board, and the provisions of the sponsor agreement and Articles of Association of the Company, the Company was converted into a foreign-invested joint stock limited company in accordance with laws and changed its name to Red Star Macalline Group Corporation Ltd. (紅星美凱龍家居集團股份有限公司). The Company converted RMB3,000,000,000.00 out of the audited net assets of RMB3,260,932,367.04 of Shanghai Red Star Macalline Enterprise Management Company Limited as at 30 June 2010 at a conversion rate of 1:1 into a registered capital of RMB3,000,000,000.00, divided into 3,000,000,000 shares in total with a par value of RMB1 each, and paid the registered capital of RMB3,000,000,000.00, representing 100% of the Company’s registered capital. The Company completed the business registration in respect of such change on 6 January 2011.

According to the resolution at the second extraordinary general meeting of the Company in 2015, the Articles of Association as amended and the approval of Shanghai Municipal Commission of Commerce (Hu Shang Wai Zi Pi [2015] No. 398), the Company applied to increase its registered capital by RMB80,329,038.00 by way of capital contribution from Candlewood Investment SRL and Springwood Investment SRL of RMB60,917,952.00 and RMB19,411,086.00, respectively. After such capital increase, the registered capital and paid-in capital of the Company amounted to RMB3,080,329,038.00. In the meanwhile, Beijing Ruibang, WHWH, Beijing Yaxiang, Tianjin Jinkai, Lianyungang Fairbay, Mianyang Industry Fund, Beijing Bainian, Shanghai Yinping, Shanghai Junyi and Nantong Qianjun, all being the original shareholders of the Company, transferred their shares in the Company to RSM Holding, the controlling shareholder of the Company. The Company completed the business registration in respect of such change on 6 February 2015.

Pursuant to the proposal of the Board, as approved at the fourth extraordinary general meeting of the Company in 2015, and as permitted by China Securities Regulatory Commission on 8 May 2015 via the Approval on the Issuance of Foreign Preference Shares by Red Star Macalline Group Corporation Ltd. (Zheng Jian Xu Ke [2015] No.822), the Company publicly issued no more than 1,180,792,000 overseas-listed foreign shares (H Shares) to overseas investors and became listed on the Main Board of Hong Kong Stock Exchange. As at 26 June 2015, the Company completed the issuance of 543,588,000 overseas-listed foreign shares (H Shares) with a par value of RMB1.00 per share to overseas investors at a price of HK\$13.28 per share. After such issuance, the paid-in capital (share capital) of the Company amounted to RMB3,623,917,038.00, representing 3,623,917,038 ordinary shares of RMB1.00 per share, including 2,561,103,969 domestic shares with restrictive conditions for sale and 1,062,813,069 overseas-listed foreign shares (H Shares) with no restrictive conditions for sale. On 26 June 2015, such overseas-listed foreign shares (H Shares) publicly issued were listed and traded on the Hong Kong Stock Exchange. The Company completed the business registration in respect of such change on 7 September 2015.

Approved at the second extraordinary general meeting of 2016 and permitted on 22 December 2017 in Reply on Approval of Initial Public Offering of Shares by Red Star Macalline Group Corporation Ltd. Zheng Jian Xu Ke [2017] No. 2373 Document issued by the China Securities Regulatory Commission, the Company carried out public offering of no more than 315,000,000 RMB-denominated ordinary shares (A shares), which were listed and traded at the Shanghai Stock Exchange. As at 17 January 2018, the Company completed the public offering of RMB-denominated ordinary shares (A shares) totaling 315,000,000 shares with a nominal value of RMB1.00 per share, and the issue price per share amounted to RMB10.23. Upon completion of the offering, the paid-in capital (share capital) of the Company amounted to RMB3,938,917,038.00, among which, the amount of RMB-denominated shares (A shares) subject to trading moratorium was 2,561,103,969 shares; the amount of RMB-denominated shares (A shares) not subject to trading moratorium was 315,000,000 shares, and the amount of overseas listed foreign shares (H shares) not subject to trading moratorium was 1,062,813,069 shares. The Company completed the business registration in respect of such change on 20 March 2018.

The business scope of the Company and its subsidiaries (hereinafter referred to as the “Group”) mainly includes providing investees with management service, enterprise management and product information consulting; providing business stores with design planning and management services, wholesale of furniture, building materials and decoration materials, and relevant supporting services.

The parent company of the Company is RSM Holding, and our actual controller is Che Jianxing.

For details of the scope of combined financial statements, please refer to Note (VII) “Interests in Other Entities”. For details of the changes in the scope of combined financial statements, please refer to Note (VI) “Changes in the Consolidation Scope”.

(II) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Basis of preparation

The Group applies the Accounting Standards for Business Enterprises and relevant requirements (hereinafter referred to as the “Accounting Standards for Business Enterprises”) as well as Public Issuance of Securities Company Information Disclosure Rules 15 – General Financial Report (revised in 2014) to disclose relevant financial information. In addition, these financial statements contain relevant disclosures required by the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange of Listing Hong Kong Limited.

Basis of Preparation and Principle of Measurement

The Group adopts the accrual basis as the basis of book-keeping in accounting. Except investment properties and certain financial instruments which are measured at fair value, these financial statements have been prepared at historical cost. In case of any impairment of any asset, corresponding impairment provision will be made in accordance with relevant requirements.

Where the historical cost is adopted as the measurement basis, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds or assets received or the contractual amounts for assuming the present obligation, or at the amounts of cash or cash equivalents expected to be paid to settle the liabilities in the normal course of business.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using valuation technique. Fair value measurement and/or disclosure in the financial statements are determined according to the above basis.

Fair value measurements are categorised into three Levels based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

Going concern

As at 31 December 2017, the Group’s current liabilities in aggregate exceeded its current assets in aggregate with an amount of RMB8.149 billion. The management of the Group had assessed its ongoing operation for the 12 months starting from 1 January 2018, and after taking into account unutilized bank facilities, proceeds from subsequent public offering of RMB-denominated ordinary shares (A Shares) and expected net cash inflows from operating activities as at 31 December 2017, believes that the liquidity risk arising from the fact that its current assets is less than its current liabilities as at the end of Reporting Period that the Group is exposed to falls within the range of control, and thus has no material effect on the ongoing operation of the Group. Therefore, these financial statements have been prepared on a going concern basis.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Reminder of specific accounting policies and accounting estimates:

The Group decides to adopt a number of specific accounting policies and accounting estimates according to the characteristics of its production and operation activities, for which please see Note (III). (11) Method of bad debt provision and Note (III). (25) Time point for the recognition of revenue and other notes.

1. Declaration following ASBE (Accounting Standards for Business Enterprises)

The financial statements of the Company have been prepared in accordance with ASBE, and present truly and completely, the consolidated and the company's financial position as at 31 December 2017, the consolidated and the company's operating results and the consolidated and the company's cash flows for the year then ended.

2. Accounting period

The Group has adopted the calendar year as its accounting year i.e. from 1 January to 31 December.

3. Operating cycle

Operating cycle refers to the period from the purchase of assets used for processing to the realization of cash or cash equivalents. The Group's consulting and management service titled the Company's name for the early stage of the project has an operating cycle that starts from the permission for relevant managed shopping malls to use the brands that are intangible assets of the Group and ends upon the opening of such managed shopping malls. The Group's commercial management and consultation service for construction project has an operating cycle that starts from the provision of relevant consultation service for the construction of managed shopping malls and ends upon the opening of such managed shopping malls. The Group's business of Owned/Leased Portfolio Shopping Malls, business relating to managed shopping malls other than the consulting and management service titled the Company's name for the early stage of the project, business of product sales and relevant services as well as other businesses have an operating cycle of or less than 12 months. The Group takes 12 months as the criterion to categorize assets and liabilities.

4. Functional currency

Renminbi ("RMB") is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose RMB as their functional currency. The Company's foreign subsidiaries choose HKD as its functional currency based on the currency in the main economic environment where they operate. The Group adopts RMB to prepare the financial statements.

5. Accounting treatment of business combination under or not under the common control

Business combinations are classified into business combinations involving enterprises under common control and business combinations not involving enterprises under common control.

5.1 Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

Assets and liabilities obtained are measured at their respective carrying amounts as recorded by the combining entities at the date of the combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination is adjusted to the share premium in capital reserve. If the share premium is not sufficient to absorb the difference, any excess is adjusted against retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred.

5.2 Business combinations not involving enterprises under common control

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. Where a business combination not involving enterprises under common control is achieved in stages that involve multiple transactions, the cost of combination is the sum of the consideration paid at the acquisition date and the fair value at the acquisition date of the acquirer's previously held interest in the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated general and administrative expenses attributable to the business combination are recognized in profit or loss when they are incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities, acquired by the acquirer in a business combination, that meet the recognition criteria are measured at fair value at the acquisition date.

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognized as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognizes the remaining difference immediately in profit or loss for the current period.

Goodwill arising on a business combination is measured at cost less accumulated impairment losses, and is presented separately in the consolidated financial statements.

6. Preparation of consolidated financial statement

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control exists when the investor has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power over the investee to affect its returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes of the above elements of the definition of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control or the party being absorbed under merger by absorption are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period or from the date when they first came under the common control of the ultimate controlling party are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company.

The effects of all intra-group transactions are eliminated on consolidation.

The portion of subsidiaries' equity that is not attributable to the Company is treated as non-controlling interest and presented as "non-controlling interest" in the consolidated balance sheet within shareholders' equity. The portion of net profits or losses of subsidiaries for the period attributable to non-controlling interest is presented as "non-controlling interest" in the consolidated income statement below the "net profit" line item.

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount is still allocated against non-controlling interest.

Acquisition of non-controlling interest or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the Company's interests and non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve under owners' equity. If the capital reserve is not sufficient to absorb the difference, the excess is adjusted against retained earnings.

Where equity interests in an acquiree are acquired in stages through multiple transactions ultimately constituting a business combination not involving entities under common control, the acquirer determines if these transactions are considered to be "a bundled transaction". If yes, these transactions are accounted for as a single transaction where control is obtained. If no, these transactions are accounted for as multiple transactions where control is obtained at the acquisition date; In this case, the acquirer remeasures its previously-held equity interests in the acquiree at their fair value on the acquisition date and recognizes any differences between such fair value and carrying amounts in profit or loss for the period. Where equity interests in an acquiree held before the acquisition date involve changes in other comprehensive income or changes in other owners' equity under equity method, they are transferred to income for the period that the acquisition date belongs to.

When the Group loses control over a subsidiary due to disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognized as investment income for the period of losing control, and at the same time adjusted against goodwill. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

7. Classification of joint arrangements and accounting treatment for joint ventures

There are two types of joint arrangements – joint operations and joint ventures. The type of joint arrangements is determined based on the rights and obligations of joint operator to the joint arrangements by considering the factors, such as the structure, the legal form of the arrangements, and the contractual terms, etc. A joint operation is a joint arrangement whereby the joint operators have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the joint ventures have rights to the net assets of the arrangement.

The Group adopts the equity method to account the investment in joint ventures. Please specifically refer to Note (III) "14.3.2. Long-term equity investment accounted for by equity method".

The Group as a joint operator recognizes the following items in relation to its interest in a joint operation: its solely-held assets, including its share of any assets held jointly; its solely-assumed liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its solely-incurred expenses, including its share of any expenses incurred jointly. The Group accounts for the recognized assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the requirements applicable to the particular assets, liabilities, revenues and expenses.

8. Standards for determining cash and cash equivalent

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Group's short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

9. Translation of transactions and financial statements denominated in foreign Currencies**9.1 Transactions denominated in foreign currencies**

A foreign currency transaction is recorded, on initial recognition, by applying the spot exchange rate on the date of the transaction.

At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognized in profit or loss for the period, except that exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalization are capitalized as part of the cost of the qualifying asset during the capitalization period.

When the consolidated financial statements include foreign operation(s), if there is foreign currency monetary item constituting a net investment in a foreign operation, exchange difference arising from changes in exchange rates are recognized as "exchange differences arising on translation of financial statements denominated in foreign currencies" in shareholders' equity, and in profit and loss for the period upon disposal of the foreign operation.

Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions and the amounts in functional currency remain unchanged.

9.2 Translation of financial statements denominated in foreign currencies

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into RMB using the following method: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; equity items are translated at the spot exchange rates at the dates on which such items arise; all items in the income statement as well as items reflecting the distribution of profits are translated at spot exchange rates on the dates of the transactions; The difference between the translated assets and the aggregate of liabilities and shareholders' equity items is recognized as other comprehensive income and included in shareholders' equity.

Cash flows arising from a transaction in foreign currency and the cash flows of a foreign subsidiary are translated at an exchange rate which approximates the spot exchange rate on the date of the cash flows. The effect of exchange rate changes on cash and cash equivalents is regarded as a reconciling item and presented separately in the cash flow statement as "effect of exchange rate changes on cash and cash equivalents".

The opening balances and the comparative figures of prior year are presented at the translated amounts in the prior year's financial statements.

10. Financial Instrument

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognized in profit or loss. For other financial assets and financial liabilities, relevant transaction costs are included in their initial recognized amounts.

10.1 Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period, using the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial asset or financial liability (without considering future credit losses), and also considers all fees paid or received between the parties to the contract giving rise to the financial asset and financial liability that are an integral part of the effective interest rate, transaction costs, and premiums or discounts, etc.

10.2 Classification, recognition and measurement of financial assets

On initial recognition, the Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Financial assets of the Group include loans and receivables, and available-for-sale financial assets.

10.2.1 *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables by the Group include notes receivable, accounts receivable, other receivables, other current assets, other non-current assets and long-term receivables.

Loans and receivables are subsequently measured at amortized cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortization is recognized in profit or loss.

10.2.2 *Available-for-sale financial assets*

Available-for-sale financial assets include financial assets that are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognized as other comprehensive income, except for impairment losses and exchange difference related to monetary financial assets in foreign currency and amortized cost which are recognized in profit or loss until the financial assets are derecognized for the period, and upon the derecognition, the gains or losses are released and recognized in profit or loss.

Interests obtained and the dividends declared by the investee during the period in which the available-for-sale financial assets are held, are recognized in investment gains.

For investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost.

10.3 Impairment of financial assets

The Group assesses at each balance sheet date the carrying amounts of financial assets other than those at fair value through profit or loss. If there is objective evidence that a financial asset is impaired, the Group determines the amount of any impairment loss. Objective evidence that a financial asset is impaired is evidence that, arising from one or more events that occurred after the initial recognition of the asset, the estimated future cash flows of the financial asset, which can be reliably measured, have been affected.

Objective evidence that a financial asset is impaired includes the following observable events:

- (1) Significant financial difficulty of the issuer or obligor;
- (2) A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- (3) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower;
- (4) It becoming probable that the borrower will enter bankruptcy or other financial reorganisations;
- (5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;
- (6) Upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group. Such observable data includes:
 - Adverse changes in the payment status of borrower in the group of assets;
 - Economic conditions in the country or region of the borrower which may lead to a failure to pay the group of assets;
- (7) Significant adverse changes in the technological, market, economic or legal environment in which the equity instrument issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor;
- (8) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost;
- (9) Other objective evidence indicating there is an impairment of a financial asset.
 - *Impairment of financial assets measured at amortized cost*

If financial assets carried at amortized cost are impaired, the carrying amounts of the financial assets are reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of reduction is recognized as an impairment loss in profit or loss. If,

subsequent to the recognition of an impairment loss on financial assets carried at amortized cost, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed. However, the reversal is made to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For a financial asset that is individually significant, the Group assesses the asset individually for impairment. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset (whether significant or not), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively reassesses them for impairment. Assets for which an impairment loss is individually recognized are not included in a group of financial assets with similar credit risk characteristics for collective assessment of impairment.

– *Impairment of available-for-sale financial assets*

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value previously recognized directly in capital reserve is reclassified from the capital reserve to profit or loss. The amount of the cumulative loss that is reclassified from capital reserve to profit or loss is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

If, subsequent to the recognition of an impairment loss on available-for-sale financial assets, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed. The amount of reversal of impairment loss on available-for-sale equity instruments is recognized as other comprehensive income, while the amount of reversal of impairment loss on available-for-sale debt instruments is recognized in profit or loss.

– *Impairment of financial assets measured at cost*

If an impairment loss has been incurred on an investment in unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, or on a derivative financial asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of reduction is recognized as an impairment loss in profit or loss. The impairment loss on such financial asset is not reversed once it is recognized.

10.4 Transfer of financial assets

The Company derecognizes a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; (3) although the financial asset has been transferred, the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, it recognizes the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes an associated liability. The extent of the Company's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between the carrying amount of the financial asset transferred; and the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognized in other comprehensive income, is recognized in profit or loss.

If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognized and the part that is derecognized, based on the respective fair values of those parts. The difference between the carrying amount allocated to the part derecognized; and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income, is recognized in profit or loss.

10.5 Classification, recognition and measurement of financial liabilities

Financial instruments issued by the Group are classified in accordance with the substance of the contractual arrangements instead of the legal form and in line with the definitions of a financial liability and an equity instrument; on initial recognition, financial instruments or their component parts are classified as either financial liabilities or equity instruments.

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities.

10.5.1 *Financial liabilities at FVTPL*

Financial liabilities at FVTPL consist of financial liabilities held for trading and those designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if one of the following conditions is satisfied: (1) it has been acquired principally for the purpose of repurchasing in the near term; (2) on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking; (3) it is a derivative, except for a derivative that is a designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

A financial liability may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: (1) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring liabilities or recognizing the gains or losses on them on different bases; (2) the financial liability forms part of a group of financial liabilities or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis; (3) it is a qualifying hybrid instrument containing embedded derivatives.

Financial liabilities at FVTPL are subsequently measured at fair value. Any gains or losses arising from changes in the fair value or any dividend or interest expenses related to the financial liabilities are recognized in profit or loss.

10.5.2 Other financial liabilities

For a derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, it is subsequently measured at cost. Other financial liabilities other than financial guarantee contract obligations are subsequently measured at amortized cost using the effective interest method, with gain or loss arising from derecognition or amortization recognized in profit or loss.

10.5.3 Financial guarantee contracts

A financial guarantee contract is a contract by which the guarantor and the lender agree that the guarantor would settle the debts or bear obligations in accordance with terms of the contract in case the borrower fails to settle the debts. Financial guarantee contracts that are not designated as financial liabilities at fair value through profit or loss, are initially measured at their fair values less the directly attributable transaction costs. Subsequent to initial recognition, they are measured at the higher of: the amount determined in accordance with Accounting Standard for Business Enterprises No. 13 – Contingencies; and the amount initially recognized less cumulative amortization recognized in accordance with the principles set out in Accounting Standard for Business Enterprises No. 14 – Revenue.

10.6 Derecognition of financial liabilities

The Group derecognizes a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. An agreement between the Group (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognizes a financial liability or a part of it, it recognizes the difference between the carrying amount of the financial liability (or part of the financial liability) derecognized and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

10.7 Offsetting financial assets and financial liabilities

When the Group has a legal right that is currently enforceable to set off the recognized financial assets and financial liabilities, and intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, financial assets and financial liabilities are offset with the net amounts presented on the balance sheet. Otherwise, financial assets and financial liabilities are separately presented on the balance sheet without offsetting.

10.8 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued (including refinanced), repurchased, sold or cancelled by the Group are treated as changes in equity. Changes in the fair value of equity instruments are not recognized. Transaction costs related to equity transactions are deducted from equity.

The Group's distribution to holders of equity instruments are treated as a distribution of profits, payment of stock dividends does not affect total shareholders' equity.

11. Receivables**11.1 Receivables at individually significant amount and for which bad debts are provided individually**

The criterion of individually significant amount	A receivable that exceeds RMB5,000,000 and other receivables exceeds RMB10,000,000 are deemed as an individually significant receivable by the Group.
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Method of bad debt provision in respect of receivables at individually significant amount	For receivables that are individually significant, the Group tests the receivables individually for impairment. Any receivable not impaired in the individual test for impairment is included in a group of financial assets with similar credit risk characteristics to be tested for impairment collectively. Any receivable with impairment loss recognized in the individual test is not included in a group of financial assets with similar credit risk characteristics to be tested for impairment collectively.
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11.2 Receivables for which bad debts are provided by portfolio of credit risk characteristics

Basis for determining receivables for which bad debt are provided by credit risk portfolio	The Group classifies receivables other than accounts receivable and other receivables for which bad debts are provided individually, in accordance with their credit risk characteristics and relevance as different types of financial assets. These credit risks usually reflect the ability of debtor in repaying all debts due based on the contractual terms of relevant assets, and are related to the forecast on future cash flows of asset under assessment.
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Receivables are classified by the Group based on the historical loss experience, current economic performance and available security guarantees for repayments relating to the portfolio of receivables with similar credit risk characteristics in prior years as well as estimated losses existing in the portfolio of receivables into (1) credit portfolio of accounts receivable; (2) credit portfolio I of other receivables; (3) credit portfolio II of other receivables; (4) credit portfolio III of other receivables; and (5) portfolio of loans extended.

Policies of bad debt provision in respect of receivables for which bad debts are provided by credit risk portfolio	<ul style="list-style-type: none"> • Credit portfolio for accounts receivable: it is to be determined based on historical loss experience and current economic performance according to similar credit risk characteristics as well as estimated losses existing in the portfolio of such accounts receivable, and for which bad debt is provided by aging analysis; • Credit portfolio I of other receivables: it consists of sales proceeds collected on behalf of the tenants due from third party payment institutions. The Group believes, this portfolio has minor credit risks, thus for which no bad debt is provided; • Credit portfolio II of other receivables: it consists of other receivables within the normal collection period with adequate securities/guarantees or other evidence of recoverability. It is to be determined based on historical loss experience and current economic performance according to similar credit risk characteristics as well as estimated losses existing in the portfolio of such receivables, and for which bad debt is provided by balance percentage;
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- Credit portfolio III of other receivables: it consists of other receivables other than those covered by credit portfolio I and II of other receivables. The proportions of bad debt provided for different age groups of such portfolio in the current period are determined based on the loss rate of such type of receivables and with reference to the status quo, and for which bad debt is provided by aging analysis;
- Portfolio of loans: it consists of microfinance loans granted to third parties by a microfinance company of the Group with its self-owned funds; and for which risk reserve is provided at 1% of the balance of loans being granted.

Please see tables below for details of proportions of bad debt provided by aging analysis and balance percentage.

Portfolios for which bad debts are provided by aging analysis:

Aging analysis method

Aging	Proportions of bad debt provided (%)	
	Accounts receivable	Credit portfolio III of other receivables
Within 1 year	5	5
1 to 2 years	10	10
2 to 3 years	20	20
3 to 4 years	50	50
4 to 5 years	80	80
Over 5 years	100	100

Portfolios for which bad debts are provided by balance percentage:

Name of portfolios	Proportions of bad debt provided (%)
Credit portfolio II of other receivables	5%

11.3 Receivables not at individually significant amount but for which bad debts are provided individually:

Reason for individual bad debt provision	Objective evidence of impairment
Policy of bad debt provision	Test for impairment is conducted individually, and the difference between estimated recoverable amount and book value is recognized in bad debt provision.

12. Inventory

12.1 Categories of inventories

The Group's inventories mainly include low-value consumables and goods in inventory, etc. Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition.

12.2 Valuation Methods of the Inventory delivered

When the inventories are delivered, the actual costs of the delivered inventories are determined using the method of moving weighted average.

12.3 Basis for determining net realizable value of inventories and policies of impairment provisions for inventories

On the balance sheet date, the inventories shall be calculated by the lower of cost and net realized value. When the net realizable value is less than the cost, inventory provision is required. The net realizable value represents the amount derived by deducting the potential cost, estimated sale cost and relative taxes to the completion date from the estimated selling price of the inventory in daily activities. The company determined net realizable value of inventories, made the obtained conclusive evidence as basis, and considered the purposes of holding inventories, events after the balance sheet date and other factors.

The provision for inventory shall be provided by the difference between the cost of the individual inventory and its net realized value.

In case the factors impacting the inventory provision are eliminated, making the net realizable value be higher than the book value, the write-down amount should be recovered from the previous write-down amount of inventory provision and the corresponding amount shall be reversed to current profit and loss.

12.4 The inventory system for Inventory

The inventory system is a perpetual inventory system.

12.5 Amortization method of low-value consumables materials

Low-price easily-worn materials are amortized by the one-time writing-off method.

13. Classified as assets held for sale

The Company shall classify a non-current asset or disposal group as held for sale if its carrying amount will be recovered principally through a sale transaction (including a non-monetary asset exchange of commercial substance) rather than through continuous use.

Non-current assets or disposal group classified as held for sale shall meet the following criteria: (1) Disposable immediately under current conditions based on similar transactions for disposals of such assets or practices for the disposal group; (2) Probable disposal; that is, a decision has been made on a plan for disposal and an undertaking to purchase has been obtained, and the disposal is expected to be completed within a year.

Where the Group has lost control of a subsidiary due to reasons such as disposal of investment in a subsidiary, regardless of the Group retaining part equity investment after the disposal, upon the investment in subsidiary intended to be disposed of satisfying the conditions for classification as held as available-for-sale, the investment in subsidiary will be generally classified as held as available-for-sale in the parent's separate financial statements, and all assets and liabilities of the subsidiary is classified as held as available-for-sale in the consolidated financial statements.

The Group measured held for sale non-current assets and disposal group at the lower of the fair value less costs to sell and the carrying amount. Where book value is higher than the net value of fair value less disposal expenses, the difference between book value and the net value of fair value less disposal expenses is recognized as asset impairment loss in profit and loss in the current period, and at the same time, provision is made for impairment of held as available-for-sale asset. Where there is increase in net value of fair value less disposal expenses for non-current assets held as available-for-sale on subsequent balance sheet dates, the previously charged difference should be recovered and reversed in asset impairment loss recognized after classification as held as available-for-sale investment, with the reversal amount recognized in profit and loss in the current period. Asset impairment loss recognized before classification as held as available-for-sale investment is not reversible.

No depreciation or amortization is provided for a non-current asset in the non-current assets or disposal groups held for sale. Interest and other expenses attributable to the liabilities of a disposal group held for sale shall continue to be recognized.

Equity investments in associates or joint ventures are all or partially classified as assets held for sale, the portion classified as held for sale will no longer accounted for using the equity method from the date on which it is classified as held for sale.

14. Long-term Equity Investment

14.1 Basis for determining joint control and significant influence over the investee

Control exists when the investor has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power over the investee to affect its returns. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effects of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible have been considered.

14.2 Determination of investment cost

For a long-term equity investment acquired through a business combination involving enterprises under common control, the initial investment cost of the long-term equity investment is the attributable share of the carrying amount of the shareholders' equity of the acquiree at the date of combination in the consolidated financial statements of the ultimate controlling party. The difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred and liabilities assumed is adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess is adjusted to retained earnings. If the consideration of the combination is satisfied by the issue of equity securities, the initial investment cost of the long-term equity investment is the attributable share of the carrying amount of the shareholders' equity of the acquiree in the consolidated financial statements of the ultimate controlling party. The aggregate face value of the shares issued is accounted for as share capital. The difference between the initial investment cost and the aggregate face value of the shares issued is adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess is adjusted to retained earnings.

For a long-term equity investment acquired through business combination not involving enterprises under common control, the initial investment cost of the long-term equity investment is the cost of acquisition at the date of combination. For a business combination realized by two or more transactions of exchange and ultimately not under the same control, different accounting methods are adopted by the criteria of whether those transactions are classified as "a bundle of transactions" or not. If yes, all exchange transactions are deemed as one transaction getting control of the invested entity and are dealt with the relative accounting method. If no, the Company regards the sum of book value of the equity investment of the invested entity plus added cost of investment as the initial cost of investment. For such book value of the equity investment, if it is

accounted by method of equity, then the relative other comprehensive income is not accounted for the period; if it is classified as available-for-sale financial asset, the difference between its fair value and book value, together with the accumulated change to fair value which was originally accounted as other comprehensive income will be taken into Profit & Loss for the current period.

The intermediary fees incurred by the absorbing party or acquirer such as audit, legal, valuation and consulting fees, etc. and other related general and administrative expenses attributable to the business combination are recognized in profit or loss when they are incurred.

The long-term equity investment acquired otherwise than through a business combination is initially measured at its cost. When the entity is able to exercise significant influence or joint control (but not control) over an investee, the cost of long-term equity investments is the sum of the fair value of previously held equity investments determined in accordance with Accounting Standard for Business Enterprises No. 22 – Financial Instruments: Recognition and Measurement (CAS 22) and the additional investment cost.

14.3 Subsequent measurement and recognition of profit or loss

14.3.1 Long-term equity investment accounted for by cost method

Long-term equity investments in subsidiaries are accounted for using the cost method in the Company's separate financial statements. A subsidiary is an investee that is controlled by the Group.

Under the cost method, a long-term equity investment is measured at initial investment cost. When additional investment is made or the investment is recouped, the cost of the long-term equity investment is adjusted accordingly. Investment income is recognized in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

14.3.2 Long-term equity investment accounted for by equity method

Except for all or part of the investment in associates and joint ventures classified as assets held for sale, the Group accounts for investment in associates and joint ventures using the equity method. An associate is an entity over which the Group has significant influence; a joint venture is a joint arrangement whereby the Group has rights to the net assets of the arrangement.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognized in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognizes its share of the net profit or loss and other comprehensive income made by the investee as investment income and other comprehensive income respectively, and adjust the carrying amount of the long-term equity investment accordingly; the carrying amount of the investment is reduced by the portion of any profit distributions or cash dividends declared by the investee that is distributed to the Group; the share of the changes in owners' equity of the investee other than those arising from net profit or loss, other comprehensive income and profit distribution are recognized in the capital reserve and the carrying amount of the long-term equity investment is adjusted accordingly. The Group recognizes its share of the investee's net profit or loss after making appropriate adjustments based on the fair value of the investee's individual separately identifiable assets, etc. at the acquisition date. Where the accounting policies and accounting period adopted by the investee are not consistent with those of the Group, the Group shall adjust the financial statements of the investee to conform to its own accounting policies and accounting period, and recognize investment income and other comprehensive income based on the adjusted financial statements. For the Group's transactions with its associates and joint ventures

where assets contributed or sold does not constitute a business, unrealized intra-group profits or losses are recognized as investment income or loss to the extent that those attributable to the Group's proportionate share of interest are eliminated. However, unrealized losses resulting from the Group's transactions with its associates and joint ventures which represent impairment losses on the transferred assets are not eliminated.

The Group discontinues recognizing its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognized according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently made by the investee, the Group resumes recognizing its share of those profits only after its share of the profits exceeds the share of losses previously not recognized.

14.4 Disposal of long-term equity investments

For the disposal of a long-term equity investment, the difference between the proceeds actually received and the book value is recognized in profit or loss for the period. For a long-term equity investment accounted for by equity method, if the remaining equity after disposal is still accounted for by equity method, relevant other comprehensive income recognized under the equity method is accounted for on the same basis that the investee follows in disposing of relevant asset or liability directly and is carried forward to profit or loss for the period proportionately; other equity recognized for changes in equity relating to the investee except for net profit or loss, other comprehensive income and profit distribution is carried forward to profit or loss for the period proportionately.

For a long-term equity investment accounted for by cost method, if the remaining equity after disposal is still accounted for by cost method, relevant other comprehensive income recognized under equity method or under the standard for the recognition and measurement of financial instruments before the control over investee being secured is accounted for on the same basis that the investee follows in disposing of relevant asset or liability directly and is carried forward to profit or loss for the period proportionately; other changes in equity recognized under equity method in the net assets of the investee except for net profit or loss, other comprehensive income and profit distribution is carried forward to profit or loss for the period proportionately.

In event that the Group loses control over an investee due to disposal of part of equity investments, during preparing separate financial statement, if the remaining equity after disposal entitles joint control or significant influence over the investee, such equity is accounted for by equity method instead of other methods and adjusted as if it has been accounted for by equity method from the date of its acquisition; if remaining equity after disposal cannot entitle joint control or significant influence over the investee, such equity is accounted for by standard for the recognition and measurement of financial instruments instead of other methods, and the difference between its fair value and book value on the date of losing control is recognized in profit or loss for period. Other comprehensive income recognized under equity method or under standard for the recognition and measurement of financial instruments before the Group takes control over an investee is accounted for on the same basis that the investee follows in disposing of relevant asset or liability directly upon the Group losing control over the investee; other changes in equity recognized under equity method in the net assets of the investee except for net profit or loss, other comprehensive income and profit distribution is carried forward to profit or loss for the period upon the Group losing control over the investee. Meanwhile, other comprehensive income and other equity are carried forward proportionately if the remaining equity after disposal is accounted for by equity method; and will be carried forward in full amount if the remaining equity is accounted for by standard for the recognition and measurement of financial instruments instead of other methods.

In event that the Group loses joint control or significant influence over an investee due to disposal of part of equity investments, remaining equity after disposal is accounted for by standard for the recognition and measurement of financial instruments instead of other methods, and the difference between its fair value and book value on the date of losing joint control or significant influence is recognized in profit or loss for period. For other comprehensive income recognized in the original equity investment due to the equity method is adopted, it shall be treated using the same accounting basis as the investee used for direct disposal of relevant assets or liabilities when ceasing to use the equity method. All owner's equities which are recognized due to other changes of owner's equity except for net profits and losses, other comprehensive income and profit distributions shall be transferred into the current profit or loss when ceasing to use the equity method.

15. Investment Property

Investment property is any property held for rental earnings or capital appreciation or both. It includes investment properties being leased out and buildings being leased out.

An investment property is measured initially at cost. Expenditure subsequently incurred for such investment property is recognized in its cost if the economic benefits associated with such investment property are probable to flow out and relevant costs can be measured reliably. Other subsequent expenditures are recognized in profit or loss for the period of their occurrence.

There exists an active property trading market at the pace of the investment properties of the Group and the market price of and other information relating to identical or similar properties are available to the Group on the property trading market, which makes it possible to estimate the fair value of investment properties in a reasonable manager. As such, the Group measures its investment properties by adopting the fair value model with changes in fair value recognized in profit or loss for the period.

Where an investment property is sold, transferred, retired or damaged, the income from its disposal net of the book value and related taxes is recognized in profit or loss for the period.

16. Fixed Assets

16.1 The conditions of recognition

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognized only when the economic benefits associated with the asset are probable to flow into the Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset if the economic benefits associated with the asset are probable to flow into the Group and the subsequent expenditures can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognized. Other subsequent expenditures except for above expenditures that included in the cost of the fixed asset are recognized in profit or loss in the period in which they are incurred.

16.2 Depreciation method

A fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Category	Depreciation period (years)	Residual value rate (%)	Annual depreciation rate (%)
Dedicated equipment	10	5	9.5
Electronic equipment, appliances and furniture	3–5	5	19–31.67
Transportation equipment	5	5	19

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

16.3 Others

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognized. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognized in profit or loss for the period.

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year-end, and account for any change as a change in an accounting estimate.

17. Construction in progress

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period, borrowing costs capitalized before it is ready for intended use and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a fixed asset when it is ready for intended use.

18. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalized when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced; Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Other borrowing costs are recognized as expenses in the period when they are incurred.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds; Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

19. Intangible Assets

Intangible assets include software and trademark use rights.

An intangible asset is measured initially at cost. When an intangible asset with a finite useful life is available for use, its initial carrying amount net of estimated net residual value and accumulated amount of impairment provision is averagedly amortized over its estimated useful life period by period using the straight-line method.

The amortization method, useful life and estimated net residual value rate of each category of intangible assets are as follows:

Category	Amortization method	Useful life (years)	Residual value rate
Trademark use rights	Straight-line method	30 years	0%
Softwares	Straight-line method	2–10 years	0%
Others	Straight-line method	3 years	0%

At the end of the year, the Group reviews the useful life and amortization method of intangible assets, and makes adjustments when necessary.

Research and development expenses

Expenditure on the research phase is recognized in profit or loss in the period in which it is incurred.

Expenditure on the development phase is capitalized as intangible assets only if all of the following conditions are satisfied, expenditure on the development phase which cannot met all of the following conditions are recognized in current profit or loss:

- (1) It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- (2) Management intends to complete the intangible asset, and to use or sell it;
- (3) It can be demonstrated how the intangible asset will generate economic benefits, including demonstrating that there is an existing market for products produced by the intangible asset or there is an existing market for the intangible asset itself, if the intangible asset is to be used internally, the usage of it can be demonstrated;
- (4) There are adequate technical, financial and other resources to complete the development and the ability to use of sell the intangible assets;
- (5) The expenditure attributable to the intangible asset during its development phase can be reliably measured.

Expenditures on research and development which cannot be distinguished between the research phase and development phase are recognized in profit or loss as incurred.

20. Impairment of Long-term Assets

The Group reviews the long-term equity investments, investment properties, fixed assets, construction in progress, intangible assets with finite useful life at each balance sheet date to determine whether there is any indication that they have suffered an impairment loss. If an impairment indication exists, the recoverable amount is estimated.

Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. The recoverable amount of an asset or asset group is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset or asset group.

If such recoverable amount is less than its carrying amount, a provision for impairment losses in respect of the deficit is recognized in profit or loss for the period.

Goodwill is tested for impairment at least at the end of each year. For the purpose of impairment testing, goodwill is considered together with the related assets groups, i.e., goodwill is reasonably allocated to the related assets group(s) or each of assets group(s) expected to benefit from the synergies of the combination. An impairment loss is recognized if the recoverable amount of the assets group or sets of assets groups (including goodwill) is less than its carrying amount. The impairment loss is firstly allocated to reduce the carrying amount of any goodwill allocated to such assets group or sets of assets groups, and then to the other assets of the group pro rata on the basis of the carrying amount of each asset (other than goodwill) in the group.

Once an impairment loss is recognized for above-mentioned assets, it will not be reversed in any subsequent period.

21. Long-term Prepaid Expenses

Long-term prepaid expenses represent expenses incurred that should be borne and amortized over the current and subsequent periods (together of more than one year). Long-term prepaid expenses are amortized using the straight-line method over the expected periods in which benefits are derived.

22. Employee Benefits

22.1 Accounting treatment of short-term remuneration

Actually occurred short-term employee benefits are recognized as liabilities, with a corresponding charge to the profit or loss for the period or in the costs of relevant assets in the accounting period in which employees provide services to the Group. Staff welfare expenses incurred by the Group are recognized in profit or loss for the period or the costs of relevant assets based on the actually occurred amounts when it actually occurred. Non-monetary staff welfare expenses are measured at fair value.

Payment made by the Group of social security contributions for employees such as premiums or contributions on medical insurance, work injury insurance and maternity insurance, etc. and payments of housing funds, as well as union running costs and employee education costs provided in accordance with relevant requirements, are calculated according to prescribed bases and percentages in determining the amount of employee benefits and recognized as relevant liabilities, with a corresponding charge to the profit or loss for the period or the costs of relevant assets in the accounting period in which employees provide services.

22.2 Accounting treatment of post-employment benefits

Post-employment benefits of the Group are defined contribution plans.

During the accounting period of rendering service to employees of the Group, amount which should be paid according to defined contribution plans is recognized as liabilities, and recognized in current profit or loss or related costs of assets.

22.3 Accounting treatment of termination benefits

When the Group provides termination benefits to employees, employee benefit liabilities are recognized for termination benefits, with a corresponding charge to the profit or loss for the period at the earlier of: when the Group cannot unilaterally withdraw the offer of termination benefits because of the termination plan or a curtailment proposal; and when the Group recognizes costs or expenses related to restructuring that involves the payment of termination benefits.

23. Estimated liabilities

Estimated liabilities are recognized under the circumstance that the Group has a present obligation related to a contingency, associated economic benefits are probable to flow out for the settlement of the obligation, and the amount of the obligation can be measured reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

24. Share-based payments

The Group's share-based payment is a transaction that grants an equity instrument or bears a liability determined on the basis of an equity instrument in order to obtain services provided by employee. The Group's share-based payments are equity-settled share-based payments.

24.1 Equity-settled share-based payments

An equity-settled share-based payment in return for employee services is measured by the Group at the fair value of the equity instrument granted to employee at the grant date. Such fair value is expensed to relevant costs or expenses on a straight-line basis over the vesting period, based on the best estimate of the number of equity instruments under exercisable rights, and the capital reserve is increased accordingly. On each balance sheet date during the vesting period, the Group makes the best estimation by referring to the latest available information on changed in the number of employees with exercisable rights and other subsequent information, and revises the estimate of the number of equity instruments under exercisable rights. The impact of the above estimates is recognized in relevant cost or expense for the period and the capital reserve is adjusted accordingly.

25. Revenue**25.1 Revenue from sales of goods and home decoration***25.1.1 Revenue from sale of goods*

Revenue from sale of goods is recognized when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the Group; and the associated costs incurred or to be incurred can be measured reliably.

25.1.2 Revenue from home decoration

It refers to the revenue received by the Group from home design and decoration works provided by the Group. The revenue is recognized by the Group under the circumstance that associated economic benefits are probable to flow into the Group after relevant services have been provided and settled.

25.2 Revenue from the lease and management of Owned/Leased Portfolio Shopping Malls

It refers to the revenue received by the Group from provision of booth leases and related services for tenants who signed up lease contracts to run business at its Owned/Leased Portfolio Shopping Malls. The revenue is determined according to the rental area, unit price, contractual term and so on stipulated in the relevant contract or agreement and recognized on a straight-line basis within the contractual period.

25.3 Revenue Relating to Managed Shopping Malls

25.3.1 Revenue from the consulting and management service titled the Company's name for the early stage of the project

It refers to the revenue received by the Group under the relevant contract or agreement, pursuant to which relevant Managed Shopping Malls are permitted to use the brands that are intangible asset of the Group, and from the provision of consultation, tenant sourcing and other services to partners of or project companies under the Managed Shopping Malls.

Before the opening of Managed Shopping Malls, the Group shall, pursuant to relevant contract or agreement, permit the relevant Managed Shopping Malls to use the brands that are intangible assets of the Company in the preparatory work prior in early stage of their construction. The initial revenue from the consulting and management services titled the Company's name for the early stage of the projects is recognized by the Group at the amount agreed in the contract, under the circumstance that there is no significant uncertainty about the recoverability of the amount under the right to payment collection acquired in the contract and that the following conditions are satisfied: (1) the Group and the partners have entered into management framework agreement or contract; (2) the partners have obtained land transaction confirmation or land use right certificate;

Upon the opening of Managed Shopping Malls, the Group shall, pursuant to relevant contract or agreement, permit the Managed Shopping Malls to mark the brands that are intangible assets of the Company upon the opening of business, and conclude relevant consultation services in early stage. The rest revenue from the consulting and management service titled the Company's name for the early stage of the project is recognized by the Group at the amount agreed in the contract, under the circumstance that the Managed Shopping Malls have opened for business and there is no significant uncertainty about the recoverability of the amount under the right to payment collection acquired in the contract.

The Group provides tenant sourcing services to Managed Shopping Malls before their opening of the business and the commissions for which is recognized at the amount agreed in the contract upon the opening of the business and upon the satisfaction of completion rate for tenant sourcing agreed in the contract.

25.3.2 Revenue from annual consulting and management service titled the Company's name for the project

After the opening of business of Managed Shopping Malls, the Group shall, on the terms and within the validity period of relevant contract, permit the Managed Shopping Malls to continuously mark the brands that are intangible assets of the Group, and continuously provide management services (covering layout, planning, tenant sourcing, leasing, business planning, advertising, operation and after-sales service, etc.) to the Managed Shopping Malls, while the Managed Shopping Malls may, within the validity period of relevant contract, continuously use the brands that are intangible assets of the Group. Relevant management services are provided on an on-going basis within the validity period of the contract. The revenue arising there from is recognized by the Group in the period that the management services are provided at the amount calculated and determined in accordance with charging methods agreed in the contract.

25.3.3 Revenue from commercial management and consultation service for construction project

It refers to revenue received by the Group from the provision of management and consultation services of Red Star Macalline to builders for the construction of some Managed Shopping Malls, including shopping mall design, consultation on construction and decoration solution, coordination and supervision on the site of construction as well as control of project cost and progress. The amount

thereof is determined by the Group in consultation with the builders in line with the realities of the project. The revenue is recognized by the Group at the amount agreed in the contract under the circumstance that relevant service has been provided, relevant Managed Shopping Mall has been constructed and reached operational status, and relevant service confirmation issued by the builder is obtained.

25.3.4 Revenue from commercial consultation fees and tenant sourcing commissions

It refers the revenue received by the Group from the provision of commercial consultation services and tenant sourcing consultation services in the stage of development planning for properties in operation other than Owned/Leased/JV/associate Portfolio Shopping Malls and Managed Shopping Malls. The revenue is recognized by the Group at the amount agreed in the contract under the circumstance that relevant service has been provided, relevant service confirmation issued by the builder is obtained and associated economic benefits are probable to flow into the Group.

25.4 Other revenues

Other revenues received by the Group mainly include: strategic consultation fee, joint marketing income and project construction income.

25.4.1 Revenue from strategic consultation fees

It refers the revenue received by the Group for the continuous provision of operational analysis, information consultation, brand rating and assessment consultation, tenant sourcing and matching and booth coordination and other services on the terms and within the validity period of the agreement entered into between the Group and home decoration companies and furniture manufacturers. The revenue is recognized by the Group at the amount agreed in the agreement a straight-line basis within the validity period of the agreement.

25.4.2 Joint marketing income

It refers to the revenue received by the Group for the provision of business planning service, media production and other services during the joint marketing activities with brand manufacturers and tenants. The revenue is recognized by the Group at the amount agreed by the parties under the circumstance that relevant service has been provided, amount of service fees is confirmed by brand manufacturers and tenants and associated economic benefits are probable to flow into the Group.

25.4.3 Project construction income

The revenue received by the Group from external project construction works undertaken by the Group is recognized pursuant to construction contracts. The revenue is recognized as contractual revenue and contractual expenses by the method of completion percentage at the balance sheet date under the circumstance that the outcome of the construction contract can be estimated reliably. The progress of contract is determined according to the proportion of actual contractual costs being accrued cumulatively to the total estimated contractual costs.

Where the outcome of the construction contract cannot be estimated reliably, if the contractual cost is recoverable, the contractual revenue is recognized to the extent of recoverability of the actual contractual cost; and the contractual cost is recognized as contractual expenses in the period in which it is incurred; if the contractual cost is not recoverable, it is recognized as expenses immediately upon its occurrence and not contractual revenue is recognized. When the uncertainties that prevented the outcome of the construction contract from being estimated reliably no longer exist, revenue and expenses associated with the construction contract are recognized by the method of completion percentage.

If the total estimated contractual costs exceed total contract revenue, the expected loss is recognized as expenses for the period.

The net amount of cumulative costs accrued and cumulative gross profits (or losses) recognized for the contracts of construction in progress after offsetting amount having been settled is presented on the balance sheet. The amount that the sum of cumulative costs accrued and cumulative gross profits (or losses) recognized for the contracts of construction in progress exceeds the amount having been settled is presented as inventory. The amount that the amount having been settled exceeds the sum of cumulative costs accrued and cumulative gross profits (or losses) recognized for the contracts of construction in progress is presented as advances from customers.

26. Government Grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. A government grant is recognized only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable.

26.1 Criterion and accounting treatment of asset-related government grant

Please refer to Note (V).32 for details of asset-related government grants of the Group. Such grants are categorized into asset-related government grant as they are directly related to the investment and construction of and the acquisition of special equipment for investment properties.

An asset-related government grant is recognized as deferred income, and shall be accounted for in the profit and loss on straight-line basis by instalment over the life of related assets.

26.2 Criterion and accounting treatment of income-related government grant

Please refer to Note (V).48 and 49 for details of income-related government grants of the Group, mainly including tax refund and industry-supporting fund. Such government grants are related to income.

An income-related government grant as compensation for related costs, expenses and losses incurred in the subsequent periods is recognized as deferred income, and is recognized in profit or loss for the period during the period in which related costs, expenses and losses are recognized. If as compensation for related costs, expenses and losses already incurred, such grant is recognized immediately in the profit and loss for the period.

A government grant related to the daily activities of the Group is recognized in other income for the period based on its economic and business nature. A government grant unrelated to the daily activities of the Group is recognized in non-operating revenue or expense.

27. Deferred Income Tax Assets/Deferred Income Tax Liabilities

The income tax expenses include current income tax and deferred income tax.

27.1 Current income taxes

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

27.2 Deferred tax assets and deferred tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized using the balance sheet liability method.

Deferred tax is generally recognized for all temporary differences. Deferred tax assets for deductible temporary differences are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognized.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realized or the liability is settled.

Current and deferred tax expenses or income are recognized in profit or loss for the period, except when they arise from transactions or events that are directly recognized in other comprehensive income or in shareholders' equity, in which case they are recognized in other comprehensive income or in shareholders' equity; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilised. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

28. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

28.1 The Group as a lessee under operating leases

Operating lease payments are recognized on a straight-line basis over the terms of the relevant lease, and are either included in the cost of related asset or charged to profit or loss for the period. Initial direct costs incurred are charged to profit or loss for the period. Contingent rents are charged to profit or loss for the period in which they are actually incurred.

28.2 The Group as a lessor under operating leases

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the terms of the relevant lease. Initial direct costs with more than a significant amount are capitalized when incurred, and are recognized in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred. Contingent rents are charged to profit or loss in the period in which they actually arise.

28.3 The Group as a lessee under finance lease

At the inception of lease, the leased asset is recorded at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The difference between the recorded amount and the minimum lease payments is accounted for as unrecognized finance charge. In addition, direct cost in relation to the negotiation of the lease and signing of lease contract can be capitalized to the recorded amount of the leased asset. Please refer to Note (V).11 for subsequent measurement of investment properties under finance lease.

Unrecognized finance charge is amortized using the effective interest method over the period of the lease. Contingent rentals are recognized in profit or loss based on actual occurrence. Minimum lease payments less unrecognized finance charge are presented in the balance sheet separately as long-term liability or long-term liability which due within one year.

29. Significant Judgements Made in the Application of Accounting Policies and Critical Assumptions and Uncertainties in Accounting Estimates

In the application of the Group's accounting policies described in Note (III), the Group is required to make judgments, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately, due to the internal uncertainty of the operating activities. These judgments, estimates and assumptions are based on historical experiences of the Group's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates of the Group.

The aforementioned judgements, estimates and assumptions are reviewed regularly by the Group on a going concern basis. The effect of changes in accounting estimates is recognized in the period of the change, if the change affects that period only; or recognized in the period of the change and future periods, if the change affects both.

– Significant judgments made in applying accounting policies

The following are the critical judgements that the Group has made in the process of applying the accounting policies and that have significant effect on the amounts recognized in the financial statements:

Revenue recognition – revenue from the consulting and management service titled the Company's name in the early stage of the project

The Group operated and managed the shopping malls held by our partners in the brand of the Group by entering into Management Agreement with our partners. Pursuant to the Management Agreement, the Group usually requires our partners to pay for the consulting and management service titled the Company's name for the early stage of the project. When the Group takes into account of the time of relevant revenue recognition, such charges only permits our partners using our intangible assets brand before opening, and providing our partners with pre-consultation service, however there is extra charges for the following and all other services, therefore, when the Group estimates there is no significant uncertainty for the recoverability of the charges for the consulting and management service fee titled the Company's name for the early stage of the project based on Accounting Standards for Business Enterprises: when the Group and partners have entered into management framework agreement or contract and the partners have obtained land transaction confirmation or land use right certificate, the initial revenue from the consulting and management services titled the Company's name for the early stage of the projects is recognized by the Group at the amount agreed in the contract. When relevant Managed Shopping Malls opened, the rest revenue from the consulting and management service titled the Company's name for the early stage of the project is recognized by the Group at the amount agreed in the contract.

Deferred tax for investment properties

The Group apply fair value model to carry out subsequent measurement for self-owned mall property. The management of the Group considers the commercial purpose to hold investment properties is to acquire the whole economic benefits generated in the process of holding such investment properties. In determination the deferred tax of the Group's investment properties, the management of the Group measured the deferred tax generated from investment properties on the basis that the future economic benefits would be realized by holding and using the investment properties. Thus, the effects of the land appreciation tax when disposing the investment properties was not considered.

– Critical Assumptions and Uncertainties in Accounting Estimates

On balance sheet date, the uncertainties in accounting estimates by the management of our Group leading to the possible significant adjustments for the carrying amounts of the assets, liabilities in the future are mainly as follows:

Fair Value Measurements and Valuation Procedure for Investment Properties

At the end of the current year and prior year, the carrying amount of the Group's investment properties measured at fair value amounted to RMB70,831,000,000.00 and RMB66,948,000,000.00, respectively. In assessing, the valuer adopted the valuation methods involving particular estimates against the market situation. The management of the Group considers that such assumptions used in the process of valuation by valuer reflect the current market situation. Changes of data used in assessing will affect the appraisal value for investment properties and gains or losses arising from changes in fair value it relates. Relevant information was disclosed in note (V), 11 and note (IX).

Income Tax

At the end of the current year and prior year, after deducting relevant income tax liabilities. (please see note (V), 18 for details), the deferred tax assets of the Group amounted to RMB718,579,066.08 and RMB594,604,457.35 respectively. The recognition of deferred tax assets mainly depends on whether sufficient profits or taxable temporary differences will be available for a corporate in the future. The management of the Group determines deferred tax assets primarily based on statutory tax rate and the profit forecasts for the entity in the next few years. Management of the Group conducts review on relevant assumptions and profit forecasts at the end of each reporting year. When the actual operating profits of the entity deviated from those originally forecasted, the deferred income tax of the Group may be reassessed and recognized as profits or loss in the current period.

Fixed assets

At the end of the current year and prior year, the initial carrying amount of the fixed assets of the Group amounted to RMB392,882,286.21 and RMB383,157,616.13 respectively, while the net carrying amount was RMB158,862,688.00 and RMB141,662,812.14 respectively. Management of the Group determined the related depreciation fee of fixed-assets by taking into account of expected useful lives, expected residual net value and depreciation methods. Such estimates were based on the management' experience of the actual useful lives and residual value of assets of similar nature and function. When the Shopping Mall expects the useful lives of fixed assets shall be shorter than those previously estimated due to its removal or close, the management will accelerate depreciation. Meanwhile, the management will also dispose or impair the technical obsolescent assets. The actual useful lives may differ from the expected useful lives. It may find out that the period of depreciation shall be changed when conducting regular checks, therefore leading the change of depreciation fee in the future period.

In addition, when the environmental changes or other circumstances indicate that the carrying amount of individual fixed assets or asset units to which it belongs may not be recoverable through its generated economic benefits, the management will estimate the recoverable amount of the individual fixed asset or the asset units to which it belongs, being the higher between the fair value less disposal costs and the estimated present value of future cash flow. When its recoverable amount is lower than its carrying amount, the management will make provision for impairment in the current period. At the end of the current year and prior year, management of the Group has not found any impairment of fixed assets.

Intangible assets

At the end of the current year and prior year, the initial carrying amount of the Group's intangible assets was RMB661,502,586.47 and RMB606,254,502.40, respectively, and the net amount was RMB458,617,045.42 and RMB428,854,402.41, respectively. The intangible assets are amortized using the straight-line method over the expected useful lives. Meanwhile, the management reassesses the expected useful lives of intangible assets annually.

Moreover, the management will consider potential impairment based on the expected recoverable amount of intangible assets, which may indicate the factors of potential impairment include (but not limited to) significant technical change, and operating or cash flow loss related with intangible assets. In determining whether intangible assets impaired, it is required to estimate the recoverable amount of assets group of intangible assets, being the higher between the fair value less disposal costs and the estimated present value of future cash flow. When its recoverable amount is lower than its carrying amount, the management will make provision for impairment in the current period. At the end of the current year and prior year, the impairment on intangible assets of the Group was both RMB100,000,000.00.

Accounts receivable and other receivables

The Group provides impairment allowance by assessing the recoverability of accounts receivable and other receivables. When recognizing whether there exists objective evidence of provision for bad debts, the Group will consider its recoverability, its age and expected future cash flow. The provision amount for bad debts is measured as the difference between the asset's carrying amount and the present value of the future cash flows. Provisions for bad debts are required if expected future cash flows are less than expected. Although there is no reason to believe that there will be significant changes in estimates based on which we calculate the impairments of accounts receivable and other receivables, the carrying amount and impairment loss of accounts receivable and other receivables will change when future actual results and expects are different from those previously estimated.

At the end of the current year and prior year, the balance of provision for bad debts in relation to accounts receivable of the Group amounted to RMB766,752,183.69 and RMB620,348,946.36 respectively. At the end of the current year and prior year, the balance of provision for bad debts in relation to other receivables amounted to RMB208,984,259.16 and RMB108,644,782.40.

30. Changes in the accounting policies and accounting estimates of the Company or remedies for major accounting errors

Changes in accounting policies

Details and reasons for changes in the accounting policies

The Group started adopting Accounting Standards for Business Enterprises No.42 – Non-current Assets Held for Sale and Disposal Groups and Discontinued Operations newly issued by the Ministry of Finance (“MoF”) in 2017 and the Accounting Standards for Business Enterprises No. 16 – Government Grants amended by Ministry of Finance in 2017 since 28 May 2017 and 12 June 2017 respectively. Besides, the financial statements have been prepared in accordance with the Notice of the Revised Format of Financial Statements for General Business Enterprises issued by the MoF on 25 December 2017.

Approval procedure

These changes in accounting policies are approved by the Company's meeting of Board of Directors.

Details and reasons for changes in the accounting policies**Approval procedure****Held-for-sale Non-current Assets and Disposal Groups and Discontinued Operations**

Accounting Standards for Business Enterprises No.42 Held-for-sale Non-current Assets and Disposal Groups and Discontinued Operations specifies regulations for classifications and measurement of held-for-sale non-current assets or disposal groups, requiring separately present profit or loss arising from continued operations or discontinued operations in the income statement with detailed disclosures about information of the held-for-sale non-current assets or disposal groups and discontinued operations. This standard requires prospective approach for accounting treatment, which has no impact on the financial statements for the comparable year.

Government grants

Prior to the implementation of the Accounting Standards for Business Enterprises No.16 – Government Grants (revised), a government grant related to an asset of the Group is recognized as deferred income and evenly amortized to non-operating income over the useful life of the asset. For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and included in profit or loss over the periods in which the related costs are recognized. If the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss for the period.

After the implementation of the Accounting Standards for Business Enterprises No.16 – Government Grants (revised), a government grant related to an asset is recognized as deferred income, and included to profit or loss in tranches over the useful life of the related asset on a straight-line basis. For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and included in profit or loss over the periods in which the related costs or losses are recognized; if the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss for the period. A government grant related to the Group's business activities is recognized in other income based on the substance of economic activities; a government grant not related to the Group's business activities is recognized in non-operating income and expenses.

The Company adopted the effective interest rate method and subsequently measured at amortized cost in respect of bonds payable.

Details and reasons for changes in the accounting policies

Approval procedure

Presenting profit or loss from disposal of assets

Prior to the release of the Cai Kuai No. 30 Document, the gains or losses recognized from sales of held-for-sale non-current assets (excluding financial instruments, long-term equity investment and investment properties) or disposal groups, and gains or losses arising from disposal of fixed assets, construction in progress, and intangible assets not classified as held-for-sale are presented under the item of “non-operating income” or “non-operating expenses”. After the release of the Cai Kuai No.30 Document, gains or losses recognized from sales of held-for-sale non-current assets (excluding financial instruments, long-term equity investment and investment properties) or disposal groups, and gains or losses arising from disposal of fixed assets, construction in progress, and intangible assets not classified as held-for-sale are presented under the item of “gains from disposal of non-current assets”. The Group has accounted for the above change in presenting accounts retrospectively, and adjusted comparable data for prior year.

(IV) TAXATION

1. Major Categories of Taxes and Tax Rate

Category of tax	Basis of tax computation	Tax rate
Value added tax (refers to “VAT”)	Revenue from sales of goods	17%
	Taxable service revenue	6% (Note 1)
	Income from site-leasing businesses and management services	5% and 11% (Note 3)
	Revenue from construction contracts	3% and 11% (Note 4)
	Sales amount of the small-scale taxpayers calculated as relevant tax rules	3% (Note 2)
Business tax (Note 1)	Income from site-leasing businesses and management services	5%
	Advertising revenue minus deductible advertising costs	5%
	Revenue from construction contracts	3%
	Other service revenue	5% and 3%
Urban maintenance and construction tax	Actually paid VAT and business tax	For city urban area, tax rate is 7%; for county town, tax rate is 5%; for other, tax rate is 1%
Education surcharge	Actually paid VAT and business tax	3%
Local education surcharge	Actually paid VAT and business tax	2%

Category of tax	Basis of tax computation	Tax rate
Property tax	<p>With approval from competent tax authorities, the real estate tax rate for Chengdu Changyi Red Star Macalline Home Furnishing Market Management Company Limited, Yunnan Red Star Macalline Home Furnishing Plaza Company Limited (Yunnan Red Star), Yantai Red Star Macalline Home Furnishing Company Limited, Shenyang Mingdu Home Furnishing Plaza Company Limited, Wuhan Red Star Macalline Shibo Home Furnishing Plaza Development Company Limited, Changsha Yinhong Home Furnishing Company Limited, Zhongshan Red Star Macalline Shibo Home Furnishing Plaza Company Limited, Daqing Red Star Macalline Shibo Home Furnishing Company Limited, Wuhan Red Star Macalline Global Home Furnishing Plaza Development Company Limited, Lanzhou Red Star Macalline Shibo Home Furnishing Plaza Company Limited, Dongguan Red Star Macalline Shibo Home Furnishing Company Limited (東莞紅星美凱龍世博家居廣場有限公司), Huhehaote Red Star Macalline Shibo Home Furnishing Plaza Company Limited, Suzhou Industry Park Zhongxiong Meitong Storage Company Limited (Suzhou Zhongxiong), Shanghai Red Star Macalline Furniture Company Limited, Anhui Shengshi Dingtong Logistic Company Limited (安徽盛世鼎通物流有限公司), Anhui Tenghui Investment Group Hefei Company Limited (安徽騰輝投資集團合肥有限公司), Beijing Red Star Macalline International Home Furnishing Plaza Company Limited, Hefei Red Star Macalline Shibo Furniture Plaza Company Limited and Beijing Red Star Macalline Shibo Furniture Plaza Company Limited are calculated on the ratio of 12% of the basis of rental income from the malls.</p> <p>Except for the aforesaid, all other real estate tax rates are calculated on the ratio of 1.2% of the basis of the residual value of the property approved by the tax authorities.</p>	
Land use tax	Paid as actual tax rate	
Stamp duty	Paid as actual tax rate	
Enterprise income tax (except subsidiaries stated in Note (IV)2)	Taxable income	25%

Note 1: The Group's some modern services industries including revenue from consulting and management service titled the Company's name for the early stage of the project and revenue from commercial management fee for engineering projects pay VAT at the rate of 6%. Pursuant to the "Circular of the Ministry of Finance ("MOF") and the State Administration of Taxation ("SAT") regarding the Pilot Program on Comprehensive Implementation of Value Added Taxes from Business Taxes Reform" (Cai Shui [2016] No. 36) issued by the MOF and the SAT, the Group shall pay value added tax instead of business tax for rental income and construction business, etc. starting from 1 May 2016. Please see above table for details of related tax rate.

Note 2: Small-scale taxpayers represent subsidiaries within the Group in the mainland that provide sales of goods and taxable services but its income not exceeding the sales scale for which common taxpayers shall pay VAT. The taxable sales amount calculated by relevant tax rules for small-scale taxpayers is subject to VAT of 3%.

Note 3: Pursuant to the "Circular of the MOF and the SAT regarding the Pilot Program on Comprehensive Implementation of Value Added Taxes from Business Taxes Reform" (Cai Shui [2016] No. 36), when a common taxpayer rents out the real estate acquired before 30 April 2016, the taxpayer can select to apply the simple tax calculation method to calculate the tax payables at 5%. When renting out the real estate acquired after 1 May 2016, the common taxpayer shall adopt the general tax calculation method to calculate the tax, and the tax rate is 11%. Since 1 May 2016, in terms of renting out the real estates acquired before 30 April 2016, the Group has applied the simple tax calculation method to calculate the tax.

Note 4: Pursuant to the “Circular of the MOF and the SAT regarding the Pilot Program on Comprehensive Implementation of Value Added Taxes from Business Taxes Reform” (Cai Shui [2016] No. 36), a common taxpayer applies 11% VAT for construction business. When a common taxpayer provides construction service for construction projects with commencement date stated in the Construction Work Commencement Permit prior to 30 April 2016 and for construction projects with commencement dates of construction stated in the construction contracts prior to 30 April 2016 but has yet to receive Construction Work Commencement Permit, the taxpayer may apply the simple tax calculation method to calculate the tax payables at 3%. When a common taxpayer provides construction services for projects with self-supplying materials (甲供工程), the taxpayer may apply the simple tax calculation method to calculate the tax payables at 3%. Since 1 May 2016, the Group applied the simple tax calculation method to calculate the tax payables for construction projects with commencement date before 30 April 2016 and construction services provided for projects with self-supplying materials.

2. Tax Preference and Approvals

Pursuant to Cai Shui [2011] No. 58 Notice on the Taxation Policies for Deepening the Implementation of the Western Development Strategy (《關於深入實施西部大開發戰略有關稅收政策問題的通知》) and Announcement of Taxation on Issues concerning Enterprise Income Tax in Deepening the Implementation of the Western Development Strategy (《關於深入實施西部大開發戰略有關企業所得稅問題的公告》) (SAT [2012] No. 12), with approval from local competent tax authorities, the rate on corporate income tax for 2016 of Chongqing Red Star Macalline Shibo Home Furnishing Plaza Company Limited, Chongqing Red Star Macalline Global Home Furnishing Plaza Company Limited, Chengdu Changyi Red Star Macalline Home Furnishing Market Management Company Limited, Chengdu Red Star Ogloria Brand Management Company Limited (成都紅星歐麗洛雅品牌管理有限公司), Red Star Macalline Chengdu Business Management Company Limited (紅星美凱龍成都商業管理有限公司) and Red Star Macalline Chengdu Enterprise Management and Consultancy Company Limited (紅星美凱龍成都企業管理諮詢有限公司) was 15%. In accordance with the communication with the local tax authorities when prepaying the income tax, Chongqing Red Star Macalline Shibo Home Furnishing Plaza Company Limited, Chongqing Red Star Macalline Global Home Furnishing Plaza Company Limited, Chengdu Red Star Ogloria Brand Management Company Limited (成都紅星歐麗洛雅品牌管理有限公司), Red Star Macalline Chengdu Business Management Company Limited (紅星美凱龍成都商業管理有限公司) and Red Star Macalline Chengdu Enterprise Management and Consultancy Company Limited (紅星美凱龍成都企業管理諮詢有限公司) temporarily paid incorporate income tax at the rate of 15% for 2017. And in accordance with the communication with the local tax authorities when prepaying the income tax, Chengdu Changyi Red Star Macalline Home Furnishing Market Management Company Limited temporarily paid incorporate income tax at the rate of 25% for 2017.

As stipulated in Cai Shui [2011] No. 112 Notice on Corporate Income Tax Preferential Policy in the Kashi and Khorgos Special Economic Development Zones in Xinjiang (關於新疆喀什霍爾果斯兩個特殊經濟開發區企業所得稅優惠政策的通知) and Cai Shui [2016] No. 85 Notice on Improving Xinjiang Depressed Region and Encouraged Development Industries Enterprise Income Tax Incentives Directory (關於完善新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄的通知), since 1 January 2016, the income tax incentives directory applicable to the newly enterprise in Xinjiang Depressed Region and Kashi and Khorgos Special Economic Development Zones in Xinjiang shall be adjusted to be consistently performed in accordance with Xinjiang Depressed Region and Encouraged Development Industries Enterprise Income Tax Incentives Directory (Pilot (2016 version)) (《新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄(試行(2016版本))》) (the hereinafter referred to as “Directory”). For newly enterprises in Kashi and Khorgos Special Economic Development Zones in Xinjiang within the scope of the Directory, they will enjoy corporate income tax exemption for five years commencing from the taxable year when acquiring the first operating revenue. Red Star Macalline Enterprise Management and Consultancy Company Limited (紅星美凱龍企業管理諮詢有限公司), Red Star Ogloria Enterprise Management Company Limited (紅星歐麗洛雅企業管理有限公司) and Khorgos Red Star Macalline Business Management Company Limited (霍爾果斯紅星美凱龍商業管理有限公司), being the subsidiaries of the Group, acquired the first operating revenue in 2017, therefore in accordance with the communication between these companies and the local tax authorities, such companies can temporarily exempt from incorporate income tax in 2017.

Red Star Xizhao Investment Company Limited, Red Star Macalline Home Furnishing Mall Management Company Limited and Red Star Zhongying Investment Company Limited (紅星眾盈投資有限公司), being the subsidiaries of the Group, were registered in Tibet Autonomous Region. Pursuant to Zangzhengfa [2014] No. 51 the Notice Issued by the People’s Government of the Tibet Autonomous Region Regarding the Publication of Implementation Rules of Enterprise Income Tax Policy of the Tibet Autonomous Region (《西藏自治區人民政府關於印發<西藏自治區企業所得稅政策實施辦法>的通知》), enterprises unitedly executing the Great Western Development Strategy in Tibet Autonomous Region are subject to EIT at a rate of 15%.

(V) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and Bank

Items	<i>RMB</i>					
	Closing balance			Opening balance		
	Amount in foreign currency	Exchange rate	Amount in RMB	Amount in foreign currency	Exchange rate	Amount in RMB
Cash on hand:						
Renminbi (refers to "RMB")			47,859,870.87			45,828,781.83
Bank deposits:						
RMB			10,069,660,980.46			6,004,111,777.21
US dollars	37,632,036.13	6.5342	245,895,250.48	14,963.34	6.4758	96,899.54
Hong Kong dollars	120,764.37	0.8359	100,948.14	125,454.11	0.8937	112,113.08
Other cash and bank:						
RMB			263,400,738.59			87,715,543.21
Total			<u>10,626,917,788.54</u>			<u>6,137,865,114.87</u>

As at the end of this year, in the Group's other cash and bank, RMB32,262,664.29 was used for long-term borrowing pledges, RMB16,032,670.36 was pledged for guarantee letters, RMB205,655,403.94 was placed as deposit reserve in the People's Bank of China by Red Star Macalline Finance Corporation, a subsidiary of the Group, RMB9,450,000.00 was the proceeds collected on behalf of the tenants by the Group, and such amount cannot be freely withdrawn because the tenants had been prosecuted for its product quality issue..

As at the end of the prior year, in the Group's other cash and bank, RMB70,460,665.31 was used for long-term borrowing pledges, RMB6,254,877.90 was the investors' funds fully entrusted with the banks by the Group, RMB2,000,000.00 was the registered capital for proposed establishment of a subsidiary, and temporarily deposited into the verification accounts of the Group, RMB9,000,000.00 was the proceeds collected on behalf of the tenants by the Group, and such amount cannot be freely withdrawn because the tenants had been prosecuted for its product quality issue.

As at the end of the current year and prior year, the Group's time deposits with maturity more than three months amounted to RMB94,223,310.50 and RMB157,724,864.24, respectively.

When preparing the cash flow statement, the aforesaid restricted other cash and bank and time deposits with maturity more than three months were excluded from cash and cash equivalents.

2. Notes Receivable

(1) Categories of notes receivable

Category	<i>RMB</i>	
	Closing balance	Opening balance
Bank acceptances	<u>3,000,000.00</u>	<u>900,000.00</u>

- (2) As at the end of the current year and prior year, the Group had no pledged notes receivable.
- (3) As at the end of the current year and prior year, none of the Group's notes was converted to accounts receivable due to the drawers' default and there was no notes receivable endorsed or discounted by the Company and outstanding at the balance sheet date.

3. Accounts receivable

- (1) Disclosure of accounts receivable by categories:

RMB

Category	Book balance		Closing balance		Book value Amount
	Amount	Proportion	Amount	Proportion	
		(%)		(%)	
Accounts receivable that are individually significant and for which bad debts are provided for individually	655,902,174.73	33.91	547,912,155.26	83.54	107,990,019.47
Accounts receivable of insignificant individual amount but individually provided for bad debts	111,908,641.80	5.79	109,427,317.93	97.78	2,481,323.87
Accounts receivable for which bad debt are provided based on credit risk characteristics portfolio	1,166,371,380.93	60.30	109,412,710.50	9.38	1,056,958,670.43
Total	1,934,182,197.46	100.00	766,752,183.69	39.64	1,167,430,013.77

RMB

Category	Book balance		Opening balance		Book value Amount
	Amount	Proportion	Amount	Proportion	
		(%)		(%)	
Accounts receivable that are individually significant and for which bad debts are provided for individually	556,216,624.37	39.16	460,011,935.57	82.70	96,204,688.80
Accounts receivable of insignificant individual amount but individually provided for bad debts	142,951,833.23	10.07	93,979,411.15	65.74	48,972,422.08
Accounts receivable for which bad debt are provided based on credit risk characteristics portfolio	720,990,526.45	50.77	66,357,599.64	9.20	654,632,926.81
Total	1,420,158,984.05	100.00	620,348,946.36	43.68	799,810,037.69

Accounts receivable that are individually significant and for which bad debts are provided for individually as at the end of the year are as follows:

RMB

Details of accounts receivable	Book balance	Closing balance		Reason for provision
		Bad debt amount	Proportion for provision (%)	
Changzhou Wujin Construction Engineering Co., Ltd. (常州市武進建設工程有限公司)	55,000,000.00	55,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
The Second Construction Group Corporation Limited Of Yancheng Jiangsu (江蘇鹽城二建集團有限公司)	31,432,000.00	31,432,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Jiangsu Jiangzhong Group Company Limited (江蘇江中集團有限公司)	30,000,000.00	30,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Fuqing Xingrong Real Estate Co., Ltd. (福清市星融置業有限公司)	17,000,000.00	17,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Jiangsu Jianguo Construction Group Co., Ltd. (江蘇江都建設集團有限公司)	16,000,000.00	16,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Shanghai Jiazhan Construction Engineering Company Limited (上海嘉展建築裝演工程有限公司)	13,000,000.00	13,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Jiangxi Lixin Property Investment Group Co., Ltd. (江西立信置業投資集團有限公司)	11,500,000.00	11,500,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Guizhou Wanshang Real Estate Co., Ltd. (貴州萬商置業有限公司)	11,000,000.00	11,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Guangxi Yuanchen Hakka Cultural City Investment Co., Ltd. (廣西遠辰客家文化城投資有限公司)	10,000,000.00	10,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Nanning Runjia Real Estate Development Co., Ltd. (南寧潤嘉房地產開發有限公司)	10,000,000.00	10,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Guangzhou City Huan Bo Exhibition Company Limited (廣州市環博展覽有限公司)	9,666,667.68	9,666,667.68	100.00	Accounts receivable are expected to be unrecoverable.
Yangquan Haomen Real Estate Development Co., Ltd. (陽泉市豪門房地產開發有限公司)	9,246,575.34	9,246,575.34	100.00	Accounts receivable are expected to be unrecoverable.
Guizhou Jinyuan Huafu Property Co., Ltd. (貴州金源華府置業有限公司)	9,000,000.00	9,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Wenzhou Honglian Home Furnishing Company Limited (溫州紅聯家居有限公司)	8,465,479.46	8,465,479.46	100.00	Accounts receivable are expected to be unrecoverable.
Guizhou Wanjin Company (貴州萬晉置業有限公司)	8,000,000.00	8,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Anhui Kaiyue Real Estate Development Co., Ltd. (安徽凱越房地產開發有限公司)	7,500,000.00	7,500,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Guizhou Jinyuanda Real Estate Development Co., Ltd. (貴州金源達房地產開發有限公司)	7,500,000.00	7,500,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Hangzhou Wenhua Real Estate Co., Ltd. (杭州文華置業有限公司)	7,500,000.00	7,500,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Shanxi Guangyu Investment Group Co., Ltd. (山西光宇投資集團有限公司)	7,500,000.00	7,500,000.00	100.00	Accounts receivable are expected to be unrecoverable.

RMB

Details of accounts receivable	Closing balance		Proportion for provision (%)	Reason for provision
	Book balance	Bad debt amount		
Hong Kong Royal Holdings Group Limited (香港皇室控股集團有限公司)	7,500,000.00	7,500,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Tea Bohui Investment Co., Ltd. (茶博匯投資有限公司)	7,000,000.00	7,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Ningde Lianxin Real Estate Co., Ltd. (寧德聯信置業有限公司)	7,000,000.00	7,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Shaanxi Jinxiong Industry and Trade Co., Ltd. (陝西錦雄工貿有限公司)	6,500,000.00	6,500,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Shenzhen Buji Sanlian Industrial Development Co., Ltd. (深圳市布吉三聯實業發展有限公司)	6,273,965.27	6,273,965.27	100.00	Accounts receivable are expected to be unrecoverable.
Shanxi Xinghe Real Development Co., Ltd. (山西星河房地產開發有限公司)	6,000,000.00	6,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Xuchang Fengtai Real Estate Company Limited (許昌豐泰地產有限公司)	6,000,000.00	6,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Yong'an Haoyuan Real Estate Co., Ltd. (永安市吳元置業有限公司)	6,000,000.00	6,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Yuyao Longding Commercial Plaza Co., Ltd. (余姚市龍鼎商業廣場有限公司)	6,000,000.00	6,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Xiangfan Yuanchi Industrial Co., Ltd. (襄樊遠馳實業有限公司)	5,800,000.00	5,800,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Hebei Jingao Real Estate Development Co., Ltd. (河北景奧房地產開發有限公司)	5,500,000.00	5,500,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Wuhan New Beacon Holdings Limited. (武漢紐賓凱控股有限公司)	5,500,000.00	5,500,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Fenyi County Yongkang Real Estate Co., Ltd. (分宜縣永康置業有限公司)	5,000,000.00	5,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Funan County Tianfu Property Development Co., Ltd. (阜南縣天阜置業發展有限公司)	5,000,000.00	5,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Jiangxi Wengan Industrial Development Co., Ltd. (江西溫贛實業發展有限公司)	5,000,000.00	5,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Jinzhong Tianhe Real Estate Development Co., Ltd. (晉中市天河房地產開發有限公司)	5,000,000.00	5,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Leshan Wutongqiao District Tiancheng Trading Company (樂山市五通橋區天成商貿有限公司)	5,000,000.00	5,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Mudanjiang Changxing Real Estate Co., Ltd. (牡丹江昌星置業股份有限公司)	5,000,000.00	5,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Nantong Deer Logistics Co., Ltd. (南通德爾物流有限公司)	5,000,000.00	5,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Sanmenxia Xindu Real Estate Co., Ltd. (三門峽市鑫都置業有限公司)	5,000,000.00	5,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.

RMB

Details of accounts receivable	Closing balance		Proportion for provision (%)	Reason for provision
	Book balance	Bad debt amount		
Shenzhen Zhongyi Shenfa Investment Development Co., Ltd. (深圳中溢申發投資發展有限公司)	5,000,000.00	5,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Tongren Jiacheng Real Estate Co., Ltd. (銅仁佳誠置業有限公司)	5,000,000.00	5,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Wuhan Zhifeng Real Estate Development Co., Ltd. (武漢致豐房地產開發有限公司)	5,000,000.00	5,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Suzhou City Shengyuan Household Information Co., Ltd. (宿州市晟源家居資訊有限公司)	5,000,000.00	5,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Yunnan Jindinggao Industrial Co., Ltd. (雲南金鼎高實業有限公司)	5,000,000.00	5,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Zhejiang Ganghai Construction Group Co., Ltd. (浙江港海建設集團有限公司)	5,000,000.00	5,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Baoding Fangbei Real Estate Development Co., Ltd. (保定方北房地產開發有限公司)	3,000,000.00	3,000,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Jiangsu Hurun Real Estate Co., Ltd. (江蘇滬潤置業有限公司)	1,800,000.00	1,800,000.00	100.00	Accounts receivable are expected to be unrecoverable.
Yantai North Wenzhou City Development Co., Ltd. (煙臺北方溫州城開發有限公司)	8,749,965.52	8,134,904.95	92.97	Part of the accounts receivable are expected to be unrecoverable.
Guizhou Xinfeng Pharmaceutical Co., Ltd. (貴州新峰藥業有限公司)	6,870,000.00	6,043,500.00	87.97	Part of the accounts receivable are expected to be unrecoverable.
Jilin Province Songyuan Feiyu Real Estate Development Co., Ltd. (吉林省松原飛宇房地產開發有限公司)	5,750,000.00	5,037,500.00	87.61	Part of the accounts receivable are expected to be unrecoverable.
Hangzhou Kangsheng Trading Co., Ltd. (杭州康昇貿易有限公司)	7,500,000.00	6,300,000.00	84.00	Part of the accounts receivable are expected to be unrecoverable.
Binzhou Yisen Real Estate Development Co., Ltd. (濱州怡森房地產開發有限公司)	7,451,000.00	5,076,000.00	68.13	Part of the accounts receivable are expected to be unrecoverable.
Guangxi Shengli Decoration Engineering Co. Ltd. (廣西晟力裝飾工程有限公司)	54,000,000.00	30,000,000.00	55.56	Part of the accounts receivable are expected to be unrecoverable.
Jiangsu Provincial Construction Group Co., Ltd. (江蘇省建築工程集團有限公司)	31,000,000.00	14,071,232.88	45.39	Part of the accounts receivable are expected to be unrecoverable.
Shijiazhuang Runxin Real Estate Development Co., Ltd. (石家莊潤鑫房地產開發有限公司)	55,914,383.56	13,841,438.36	24.75	Part of the accounts receivable are expected to be unrecoverable.
Jiangsu Golden Pecker Decoration Engineering Co., Ltd. (江蘇金啄木裝飾工程有限公司)	22,000,000.00	4,590,753.42	20.87	Part of the accounts receivable are expected to be unrecoverable.
Tonghua Kailong Commercial Plaza Company Limited (通化市凱龍商業廣場有限公司)	16,232,137.90	15,282,137.90	94.15	Part of the accounts receivable are expected to be unrecoverable.
Guizhou Lingzhi Agricultural Group Real Estate Co., Ltd. (貴州靈智農業集團置業有限公司)	11,250,000.00	10,350,000.00	92.00	Part of the accounts receivable are expected to be unrecoverable.
Total	<u>655,902,174.73</u>	<u>547,912,155.26</u>	<u>83.54</u>	

The portfolio of receivables for which bad debts are provided by portfolio of credit risk characteristics is as follows:

RMB

	Closing balance			Opening balance		
	Book balance	Bad debt amount	Proportion for provision (%)	Book balance	Bad debt amount	Proportion for provision (%)
Within 1 year	752,264,745.72	37,613,234.58	5.00	403,329,060.19	20,166,453.01	5.00
1 to 2 years	278,218,511.10	27,821,851.10	10.00	206,411,466.26	20,641,146.63	10.00
2 to 3 years	87,388,124.11	17,477,624.82	20.00	106,750,000.00	21,350,000.00	20.00
3 to 4 years	44,000,000.00	22,000,000.00	50.00	-	-	50.00
4 to 5 years	-	-	80.00	1,500,000.00	1,200,000.00	80.00
Over 5 years	4,500,000.00	4,500,000.00	100.00	3,000,000.00	3,000,000.00	100.00
Total	<u>1,166,371,380.93</u>	<u>109,412,710.50</u>	<u>9.38</u>	<u>720,990,526.45</u>	<u>66,357,599.64</u>	<u>9.20</u>

(2) Provision, recovery or reversal of bad debt provision for the current year

During the year, the provision for bad debts was RMB152,123,237.33, and the provision for bad debts of RMB5,720,000.00 was reversed, and there was no actual written-off of accounts receivable.

Recovery or reversal of bad debt provision at significant amount for the year is as follows:

RMB

Name of entity	Amount recovered or reversed	Recovery Method
Liaoyang Hongmei Property Co., Ltd. (遼陽紅美置業有限公司)	<u>5,000,000.00</u>	Recovery of accounts receivable

(3) Top five trade receivables by closing balance collection of the borrower

RMB

Name of entity	Book balance	Proportion of the total amount to accounts receivable (%)	Provision for bad debts
Shijiazhuang Runxin Real Estate Development Co., Ltd. (石家莊潤鑫房地產開發有限公司)	55,914,383.56	2.88	13,841,438.36
Changzhou Wujin Construction Engineering Co., Ltd. (常州市武進建設工程有限公司)	55,000,000.00	2.83	55,000,000.00
Guangxi Shengli Decoration Engineering Co. Ltd. (廣西晟力裝飾工程有限公司)	54,000,000.00	2.78	30,000,000.00
The Second Construction Group Corporation Limited of Yancheng Jiangsu (江蘇鹽城二建集團有限公司)	31,432,000.00	1.62	31,432,000.00
Jiangsu Construction Engineering Co., Ltd. (江蘇省建築工程集團有限公司)	31,000,000.00	1.60	14,071,232.88
Total	<u>227,346,383.56</u>	<u>11.71</u>	<u>144,344,671.24</u>

- (4) As at the end of the current year and prior year, the Group had no derecognition of accounts receivable due to the transfer of financial assets.
- (5) As at the end of this year, balance of accounts receivable relating to the revenue from the consulting and management service titled the Company's name for the early stage of project amounted to RMB1,220,255,000.00, and impairment provision amounted to RMB438,194,750.00.

4. Prepayments

- (1) Aging analysis of prepayments

RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	261,983,675.65	97.84	161,519,603.45	97.98
1 to 2 years	2,591,231.64	0.97	1,100,000.00	0.67
2 to 3 years	980,000.00	0.37	2,222,200.00	1.35
Over 3 years	2,222,200.00	0.82	-	-
Total	<u>267,777,107.29</u>	<u>100.00</u>	<u>164,841,803.45</u>	<u>100.00</u>

As at the end of the current year and prior year, none of the Group's significant prepayments aged more than one year.

- (2) Top five entities with the largest amounts of prepayments as at the end of the year

RMB

Name of entity	Amount	Proportion of the total amount to prepayments (%)
Beijing Beiyuan Xinghua Comprehensive Market Co., Ltd. (北京北苑星華綜合市場有限公司)	14,955,275.00	5.58
GIANNI VERSACE S.P.A	10,255,509.93	3.83
Shanghai Jinguo 365 Enterprise Services Co., Ltd. (上海巾幗三六五企業服務有限公司)	8,760,899.35	3.27
China International Capital Corporation Limited (中國國際金融股份有限公司)	7,547,169.81	2.67
Jinke Property Group Co., Ltd. (金科地產集團股份有限公司)	7,143,459.56	2.67
Total	<u>48,662,313.65</u>	<u>18.17</u>

5. Other Receivables

(1) Other receivables disclosed by categories are as follows:

Category	Book balance		Closing balance		Book value Amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables that are individually significant and for which bad debts are provided for individually	93,162,035.06	4.79	92,922,856.72	99.74	239,178.34
Other receivables of insignificant individual amount but individually provided for bad debts	40,063,187.55	2.06	35,491,774.59	88.59	4,571,412.96
Other receivables for which bad debt are provided based on credit risk characteristics portfolio	1,810,257,161.38	93.15	80,569,627.85	4.45	1,729,687,533.53
Of which: risk portfolio I	553,075,277.01	28.46	–	–	553,075,277.01
risk portfolio II	254,910,612.43	13.12	12,745,530.62	5.00	242,165,081.81
risk portfolio III	1,002,271,271.94	51.57	67,824,097.23	6.77	934,447,174.71
Total	1,943,482,383.99	100.00	208,984,259.16	10.75	1,734,498,124.83

RMB

Category	Book balance		Opening balance		Book value Amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables that are individually significant and for which bad debts are provided for individually	53,498,978.73	4.92	53,259,800.39	99.55	239,178.34
Other receivables of insignificant individual amount but individually provided for bad debts	16,276,786.08	1.50	11,984,807.08	73.63	4,291,979.00
Other receivables for which bad debt are provided based on credit risk characteristics portfolio	1,017,549,255.96	93.58	43,400,174.93	4.27	974,149,081.03
Of which: risk portfolio I	353,054,960.24	32.47	–	–	353,054,960.24
risk portfolio II	361,439,352.99	33.24	18,071,967.65	5.00	343,367,385.34
risk portfolio III	303,054,942.73	27.87	25,328,207.28	8.36	277,726,735.45
Total	1,087,325,020.77	100.00	108,644,782.40	9.99	978,680,238.37

RMB

Other receivables that are individually significant and for which bad debts are provided for individually as at the end of the year are as follows:

RMB

Details of other receivables	Closing balance		Proportion for provision (%)	Reason for provision
	Book balance	Bad debt amount		
Nan Dewei Investment Co., Ltd. (南德威投資有限公司)	16,781,457.96	16,781,457.96	100.00	Accounts receivable are expected to be unrecoverable
Lizhuo Xingyu Entertainment Media Advertising (Beijing) Co., Ltd. (立卓興宇影視傳媒廣告(北京)有限公司)	14,045,187.00	14,045,187.00	100.00	Accounts receivable are expected to be unrecoverable
Weifang Kaili Property Company Limited (濰坊凱利置業有限公司)	12,000,000.00	12,000,000.00	100.00	Accounts receivable are expected to be unrecoverable
Ningbo Longkai Home Living Shopping Company Limited (寧波隆凱家居生活購物有限公司)	24,000,000.00	24,000,000.00	100.00	Accounts receivable are expected to be unrecoverable
Shijiazhuang Runxin Real Estate Development Co., Ltd. (石家莊潤鑫房地產開發有限公司)	15,663,056.33	15,663,056.33	100.00	Accounts receivable are expected to be unrecoverable
Taiyuan Fairview Home Building Materials & Home Decoration Market Co., Ltd. (太原錦繡家園建材家居裝飾市場有限公司)	10,672,333.77	10,433,155.43	97.76	Part of the accounts receivable are expected to be unrecoverable
Total	<u>93,162,035.06</u>	<u>92,922,856.72</u>	<u>99.74</u>	

Other receivables for which bad debt are provided based on credit risk characteristics portfolio are as follows:

Portfolio I:

RMB

	Closing balance			Opening balance		
	Book balance	Bad debt amount	Proportion for provision (%)	Book balance	Bad debt amount	Proportion for provision (%)
Portfolio I	<u>553,075,277.01</u>	<u>-</u>	<u>-</u>	<u>353,054,960.24</u>	<u>-</u>	<u>-</u>

Portfolio II: the provisions for bad debt are made based on balance percentage method:

	Closing balance			Opening balance		
	Book balance	Bad debt amount	Proportion for provision (%)	Book balance	Bad debt amount	Proportion for provision (%)
Portfolio II	<u>254,910,612.43</u>	<u>12,745,530.62</u>	<u>5.00</u>	<u>361,439,352.99</u>	<u>18,071,967.65</u>	<u>5.00</u>

Portfolio III: the provisions for bad debt are made based on aging percentage method

RMB

	Closing balance			Opening balance		
	Book balance	Bad debt balance	Proportion for provision (%)	Book balance	Bad debt balance	Proportion for provision (%)
Within 1 year	901,613,850.97	45,080,692.55	5.00	215,572,861.08	10,778,643.04	5.00
1 to 2 years	48,466,346.02	4,846,634.60	10.00	59,477,431.77	5,947,743.18	10.00
2 to 3 years	34,466,339.65	6,893,267.93	20.00	22,376,574.63	4,475,314.93	20.00
3 to 4 years	12,978,538.30	6,489,269.15	50.00	1,803,138.25	901,569.13	50.00
4 to 5 years	1,159,820.00	927,856.00	80.00	3,000,000.00	2,400,000.00	80.00
Over 5 years	3,586,377.00	3,586,377.00	100.00	824,937.00	824,937.00	100.00
Total	<u>1,002,271,271.94</u>	<u>67,824,097.23</u>	<u>6.77</u>	<u>303,054,942.73</u>	<u>25,328,207.28</u>	<u>8.36</u>

(2) Provision, recovery or reversal of bad debt provision for the current year

During the current year, the provision for bad debts was RMB100,339,476.76, and there was no reversal of provision for bad debts and no actual written-off of other receivables.

(3) Other receivables presented by nature is as follows:

RMB

Item	Closing balance	Opening balance
Loan and advances	678,234,257.94	528,043,386.27
– to related parties	118,226,176.43	123,553,239.79
– to non-controlling interests of subsidiaries	89,450,113.93	77,428,842.27
– to third parties	470,557,967.58	327,061,304.21
Equity transfer receivables	354,264,500.00	–
Sales proceeds collected on behalf of the tenants	553,075,277.01	353,054,960.24
Deposits	99,631,452.25	76,787,193.35
Others	49,292,637.63	20,794,698.51
Total	<u>1,734,498,124.83</u>	<u>978,680,238.37</u>

Note: As at the end of the year, other receivables include loans from minority shareholders of Portfolio Shopping Malls and partnership for Managed Shopping Malls (both of which hereinafter referred to as the “partnership”) amounted to RMB141,085,384.40, and related impairment provision amounted to RMB7,596,808.77.

- (4) Top five entities with the largest amounts of other receivables as at the end of the year

RMB

Name of entity	Nature of amount	Closing balance	Proportion of the total amount to other receivables (%)	Bad debt provision as at the end of the year
Changzhou Dongfang New City Construction Co., Ltd. (常州東方新城建設有限公司) (<i>note</i>)	Equity transfer	372,910,000.00	19.19	18,645,500.00
Shanghai Mingyi Enterprise Development Company Limited (上海名藝商業企業發展有限公司) ("Shanghai Mingyi")	Borrowing	105,400,000.50	5.42	5,270,000.02
Changzhou Red Star Plaza Business Management Co., Ltd (常州紅星廣場商業管理有限公司)	Borrowing	90,320,920.55	4.65	4,516,046.03
Huaihua Xingqi Real Estate Development Construction Company Limited (懷化星旗房地產開發建設有限公司)	Borrowing	49,748,807.08	2.56	2,508,170.91
LIU Peng (劉鵬)	Borrowing	36,923,835.54	1.90	1,846,191.78
Total		<u>655,303,563.67</u>	<u>33.72</u>	<u>32,785,908.74</u>

Note: In January 2018, the Group received the equity transfer amount due from Changzhou Dongfang New City Construction Co., Ltd. (常州東方新城建設有限公司) of RMB360,000,000.00.

- (5) As at the end of the current year and prior year, the Group had no other receivables involving government grants, and no derecognition of other receivable due to the transfer of financial assets.

6. Inventories

RMB

Item	Book balance	Closing balance		Book balance	Opening balance	
		Provision for impairment	Book value		Provision for impairment	Book value
Low-value consumables	22,436,272.95	-	22,436,272.95	11,987,314.44	-	11,987,314.44
Finished goods	<u>97,855,087.49</u>	-	<u>97,855,087.49</u>	<u>33,436,028.84</u>	-	<u>33,436,028.84</u>
Total	<u>120,291,360.44</u>	<u>-</u>	<u>120,291,360.44</u>	<u>45,423,343.28</u>	<u>-</u>	<u>45,423,343.28</u>

As at the end of the current year and prior year, there were no amounts used for guarantee in the inventory balance, and no borrowing costs capitalized.

7. Non-current Assets Due within One Year and Other Current Assets

7.1 Non-current assets due within one year

RMB

Item	Closing balance	Opening balance
Entrusted loan (<i>Note (V).19, Note 4</i>)	<u>120,000,000.00</u>	<u>45,000,000.00</u>
Total	<u><u>120,000,000.00</u></u>	<u><u>45,000,000.00</u></u>

7.2. Other current assets

RMB

Item	Closing balance	Opening balance
Entrusted loan (<i>note 1</i>)	250,000,000.00	170,000,000.00
Available-for-sale financial assets (<i>note 2</i>)	3,000,000.00	100,000,000.00
Tax recoverable	274,577,887.53	170,623,010.42
Microfinance loans (<i>note 3</i>)	–	182,941,443.62
Total	<u><u>527,577,887.53</u></u>	<u><u>623,564,454.04</u></u>

Note 1: Details of entrusted loans as at the end of the year are as follows:

RMB

Borrower	Relationship with the Company	Start date of the borrowing	End date of the borrowing	Type of currency	Rate (%)	Interest balance
Zhejiang Borui Holding Group Company Limited (浙江博瑞控股集團有限公司)(<i>note</i>)	Partnership	19 December 2016	17 November 2018	RMB	6.02	100,000,000.00
Zhejiang Borui Holding Group Company Limited (浙江博瑞控股集團有限公司)(<i>note</i>)	Partnership	19 December 2016	17 November 2018	RMB	8.00	10,000,000.00
Hebei Zhuohang Real Estate Development Co., Ltd. (河北卓航房地產開發有限公司)	Partnership	20 March 2017	19 March 2018	RMB	10.00	60,000,000.00
Hancheng Xinding Real Estate Development Co., Ltd. (韓城市鑫鼎房地產開發有限公司)	Partnership	28 September 2017	25 September 2018	RMB	9.00	80,000,000.00
Total						<u><u>250,000,000.00</u></u>

Note: The original maturity date of the entrusted loan provided by Shanghai Xinwei Property Company Limited (上海新偉置業有限公司), a subsidiary of the Group, to Zhejiang Borui Holding Group Company Limited (浙江博瑞控股集團有限公司) was 18 December 2017, and was extended from December 2017 to 17 November 2018.

Note 2: RMB3,000,000.00 as at the end of the year represents the guaranteed wealth management product purchased by the Group from China Minsheng Bank's "Extraordinary Asset Management 89 – Tiananyin 174th Public Fund" (非凡資產管理89天安贏第174期對公款). RMB100,000,000.00 as at the end of the prior year represents the rolling RMB corporate wealth management product purchased by the Group from Ping An Bank's Excellence Plan (平安銀行卓越計劃), which has been redeemed by the end of this year.

Note 3: Opening balance of RMB182,941,443.62 for the year represents the small loans granted by Shanghai Huangpu Red Star Microfinance Co., Ltd. (上海黃浦紅星小額貸款有限公司), the Group's subsidiary, to its third party with its own funds, of which balance of the small loan granted to the shop owners of Red Star Macalline Home Furnishing Mall was RMB67,960,000.00, and balance of the small loan granted to furnishings manufacturers of Red Star Macalline mall was RMB45,000,000.00. As at the beginning of this year, the provision for bad debts equivalent to 1% of the balance of small loan was RMB1,847,893.37. In 2017, the Group disposed of the entire equity interest of Shanghai Huangpu Red Star Microfinance Co., Ltd. (上海黃浦紅星小額貸款有限公司). Please see Note (VI).3.

8. Available-for-sale Financial Assets

(1) Details of available-for-sale financial assets

Item	<i>RMB</i>					
	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Available-for-sale debt instruments (note)	120,000,000.00	-	120,000,000.00	100,000,000.00	-	100,000,000.00
Available-for-sale equity instruments	3,089,251,264.88	146,800,202.48	2,942,451,062.40	566,626,423.77	122,225,202.48	444,401,221.29
Including:						
measured at fair value	2,200,652,330.85	-	2,200,652,330.85	-	-	-
Measured at cost	888,598,934.03	146,800,202.48	741,798,731.55	566,626,423.77	122,225,202.48	444,401,221.29
Total	3,209,251,264.88	146,800,202.48	3,062,451,062.40	666,626,423.77	122,225,202.48	544,401,221.29

Note: In February 2016, the Group contributed capital of RMB100 million to set up the Gopher Red Star Special Opportunity M&A No. 2 Fund (歌斐紅星特殊機會併購二號基金) ("No. 2 Fund"), and Gopher Asset Management Co., Ltd. contributed capital of RMB100 million to set up the Gopher Red Star Special Opportunity M&A No. 3 Fund (歌斐紅星特殊機會併購三號基金) ("No. 3 Fund"). Also, the Group and Gopher Asset Management Co., Ltd. ("Gopher") contributed capital of RMB10 million to establish Wuhu Red Star Macalline Equity Investment Fund Management Company Limited (蕪湖紅星美凱龍股權投資基金管理有限公司) ("Wuhu Fund") (See Note (V). 10). No.2 Fund, No.3 Fund and Wuhu Fund contributed capital of RMB100 million, RMB100 million and RMB13 million, respectively, to subscribe for the "Wanjia Gongying Tangshan Wanli Leather City – Special Asset Management Scheme" managed by Wanjia Gongying Asset Management Company Limited (萬家共贏資產管理有限公司) ("asset management scheme"), which granted an entrusted loan through the bank to Tangshan Wanli Real Estate Development Co., Ltd. (唐山萬力房地產開發有限公司) ("Tangshan Wanli"). The entrusted loan was subsequently due in 2016 and incurred default payment, hence the court ruled that the property of Tangshan Wanli located in Tangshan City would be used to compensate to the asset management scheme. In December 2016, the asset management scheme and Tangshan Feikai Real Estate Development Co., Ltd. (唐山斐凱房地產開發有限公司) ("Tangshan Feikai") under Gopher reached a debt transfer agreement, pursuant to which the entrusted loan (including principal, interest and penalty interest thereon) would be transferred to Tangshan Feikai at a consideration of approximately RMB253 million. As at the end of this year, Tangshan Feikai had paid for the consideration, made property compensation according to the above court judgment and then became the owner of the property. After the investment were recovered, Funds No. 2 and No. 3, being limited partners, contributed capital of RMB100 million and RMB100 million, respectively, to invest in Wuhu Gopher Haoli Investment Center (LIMITED PARTNERSHIP) which lent the same to Tangshan Feikai. As of the end of this year, the Group has additionally invested RMB20 million for Fund No. 2 in Wuhu Gopher Haoli Investment Center (LIMITED PARTNERSHIP) which lent the same to Tangshan Feikai.

(2) Available-for-sale financial assets measured at fair value as at the end of the year

As at the end of this year, available-for-sale equity instruments measured at fair value are as follows:

	<i>RMB</i>
Classification of available-for-sale financial assets	Available-for-sale equity instruments
	<i>(Note)</i>
Cost of equity instruments	157,560,000.00
Fair value	2,200,652,330.85
Changes of fair value included in other comprehensive income	2,043,092,330.85
Amount of provision for impairment	—
	—

Note: In 2013, the Group, by increasing its capital invested in Oppein Home Group Inc (“Oppein Home”), representing 4.99% of the equity interest of the investee. Oppein Home is mainly engaged in furniture manufacture business. The Group’s cost for equity investment in Oppein Home was RMB157,560,000.00. As at the beginning of this year, it was measured at cost, as there was no quoted price in the active market and its fair value could not be reliably measured. In March 2017, Oppein Home was listed on the Shanghai Stock Exchange. The Group changed to fair value measurement, resulting in an increase in fair value by RMB2,043,092,330.85 for this year, and the book balance as at the end of this year was RMB2,200,652,330.85.

(3) Available-for-sale financial assets measured at cost as at the end of the year

									<i>RMB</i>	
Investee	Book balance			Closing balance	Impairment provision			Closing balance	Proportion of shareholding in the investee as at the end of this year (%)	Cash dividend for this year
	Opening balance	Increase for the year	Decrease for the year		Opening balance	Increase for the year	Decrease for the year			
Beijing Bluepower Technology Co., Ltd. (北京藍海華業科技股份有限公司) (“Bluepower”) (<i>Note 1</i>)	44,151,221.29	—	—	44,151,221.29	—	—	—	—	Stock	—
Jinan Caijin Fosun Weishi Equity Investment Fund Joint Venture (LIMITED PARTNERSHIP) (濟南財金復星樞實股權投資基金(有限合伙)) (“Jinan Caijin Fosun Weishi Fund”) (<i>Note 2</i>)	45,000,000.00	—	—	45,000,000.00	—	—	—	—	7.50%	—
Beijing Tingjiandan Information Technology Co., Ltd. (北京停簡單資訊技術有限公司) (“Tingjiandan Information Technology”) (<i>Note 3</i>)	32,500,000.00	—	—	32,500,000.00	—	—	—	—	5.7018%	—
Soccer World (Shanghai) Sports Development Co., Ltd. (索福德上海體育發展有限公司) (“Soccer World Sports”) (<i>Note 4</i>)	25,000,000.00	—	—	25,000,000.00	—	—	—	—	5.0000%	—
Beijing Haozu Technology Development Co., Ltd. (北京好租科技發展有限公司) (“Beijing Haozu Technology”) (<i>Note 5</i>)	20,000,000.00	—	—	20,000,000.00	—	—	—	—	2.5974%	—

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

RMB

Investee	Opening balance	Book balance		Closing balance	Opening balance	Impairment provision		Closing balance	Proportion of shareholding in the investee as at the end of this year (%)	Cash dividend for this year
		Increase for the year	Decrease for the year			Increase for the year	Decrease for the year			
Guangdong Animation Cartoon Game Life Technology Co., Ltd. (廣州酷漫居動漫科技有限公司) ("Guangdong Comagic") (Note 6)	24,740,000.00	-	-	24,740,000.00	-	-	-	-	4.7297%	-
Shanghai Harbour Home Investment Centre (LIMITED PARTNERSHIP) (上海海寓投資中心(有限合伙)) ("Harbour Home Investment") (Note 7)	50,000,000.00	-	(50,000,000.00)	-	-	-	-	-	35.3600%	-
Guangzhou Snimay Home Furnishing Co., Ltd. (廣州市詩尼曼家居有限公司) ("Guangzhou Snimay") (Note 8)	-	33,610,000.00	-	33,610,000.00	-	-	-	-	4.9900%	-
Aupu Home Co., Ltd. (奧普家居股份有限公司) ("Aupu Home") (Note 9)	-	240,527,474.60	-	240,527,474.60	-	-	-	-	4.2368%	-
Oriental Standard Human Resources Holdings Limited ("Oriental Standard") (Note 10)	-	55,503,660.66	-	55,503,660.66	-	-	-	-	10.0000%	-
Sinostone (Guangdong) Co., Ltd. (廣東中旗新材料科技有限公司) ("Sinostone Guangdong") (Note 11)	-	32,980,000.00	-	32,980,000.00	-	-	-	-	4.8500%	-
Keeson Technology Corporation Limited (健盛科技股份有限公司) ("Keeson Technology") (Note 12)	-	75,430,875.00	-	75,430,875.00	-	-	-	-	4.5000%	-
Foshan Junda Enterprise Management Co., Ltd. (佛山郡達企業管理有限公司) (Note 13)	-	20,607,000.00	-	20,607,000.00	-	-	-	-	19.0000%	-
Shanghai Scholar Home Enterprise Management Consulting Centre (LIMITED PARTNERSHIP) (上海禮叙企業管理諮詢中心(有限合伙)) (Note 14)	-	19,960,000.00	-	19,960,000.00	-	-	-	-	26.6165%	-
YunDing Network Technology (Beijing) Co., Ltd. (雲丁網絡技術(北京)有限公司) (Note 15)	-	15,790,000.00	-	15,790,000.00	-	-	-	-	4.0055%	-
Qingdao Yeelink Information Technology Co., Ltd. (青島億聯客信息技術有限公司) (Note 16)	-	14,700,000.00	-	14,700,000.00	-	-	-	-	5.0000%	-
Xi'an Jiahexing Household Co., Ltd. (西安佳和興家居有限責任公司) (Note 17)	-	11,400,000.00	-	11,400,000.00	-	-	-	-	11.40%	-
Others	167,675,202.48	9,273,500.00	(250,000.00)	176,698,702.48	122,225,202.48	24,575,000.00	-	146,800,202.48	-	-
Total	409,066,423.77	529,782,510.26	(50,250,000.00)	888,598,934.03	122,225,202.48	24,575,000.00	-	146,800,202.48		

The Group does not have control, joint control or significant influence over the above-mentioned investees, and therefore the Group will account for them as available-for-sale financial assets. As equity instrument investment is not quoted in an active market and its fair value cannot be reliably measured, it is measured at cost.

- Note 1:* Bluepower was permitted to be listed on the National Equities Exchange and Quotations System. In 2016, the Group subscribed for 4,039,453 shares of Bluepower at a subscription price of RMB10.93 per share. Such company is mainly engaged in consultation, design, supply, installation and commissioning as well as operation and maintenance of audio and video intelligence systems.
- Note 2:* In 2016, the Group partnered with Jinan Caijin Fosun Weishi Fund which is mainly engaged in equity investment. As at the end of this year, the proportion of capital contribution made by the Group as a limited partner was 7.50%.
- Note 3:* In 2016, the Group purchased shares of Tingjiandan Information Technology through increase of capital. Such company is mainly engaged in public parking services for motor vehicles. As at the end of this year, the equity interest of the investee owned by the Group was 5.7018%.
- Note 4:* In 2016, the Group purchased shares of Soccer World Sports through increase of capital. Such company is mainly engaged in sports ground operation. As at the end of this year, the equity interest of the investee owned by the Group was 5%.
- Note 5:* In 2016, the Group purchased shares of Beijing Haozu Technology through increase of capital. Such company is mainly engaged in O2O business of commercial property leasing. As at the end of this year, the equity interest of the investee owned by the Group was 2.5974%.
- Note 6:* In 2015, the Group purchased shares of Guangdong Comagic through increase of capital. Such company is mainly engaged in animation and manufacturing business of peripheral furniture products. As at the end of this year, the equity interest of the investee owned by the Group was 4.7297%.
- Note 7:* In 2015, the Group partnered with Harbour Home Investment. Pursuant to the partnership agreement, the proportion of capital contribution made by the Group as a limited partner was 35.36%, and the Group shall not involve in the management of investment in the joint venture or other activities. In 2017, the Group disposed of such investment and confirmed an investment income of RMB8,000,000.00.
- Note 8:* In 2017, the Group purchased shares of Guangzhou Snimay through increase of capital. Such company is mainly engaged in furniture manufacture and retail business. As at the end of this year, the equity interest of the investee owned by the Group was 4.99%.
- Note 9:* In 2017, the Group purchased shares of Aupu Home through increase of capital. Such company is mainly engaged in wholesale and retail of Bathroom Master and other home appliances. As at the end of this year, the equity interest of the investee owned by the Group was 4.2368%.
- Note 10:* In 2017, the Group purchased shares of Oriental Standard through increase of capital. Such company is mainly engaged in personnel services. As at the end of this year, the equity interest of the investee owned by the Group was 10%.
- Note 11:* In 2017, the Group purchased shares of Sinostone Guangdong through increase of capital. Such company is mainly engaged in R&D, production, sale and construction of quartz and stone plates as well as the silicon surface materials. As at the end of this year, the equity interest of the investee owned by the Group was 4.85%.
- Note 12:* In 2017, the Group purchased shares of Keeson Technology through increase of capital. Such company is mainly engaged in R&D, production and sale of electric beds. As at the end of this year, the equity interest of the investee owned by the Group was 4.5%.
- Note 13:* In 2017, the Group purchased shares of Foshan Junda Enterprise Management Co., Ltd. (佛山郡達企業管理有限公司) through increase of capital. Such company is mainly engaged in development and operation of home furnishing shopping malls. As at the end of this year, the equity interest of the investee owned by the Group was 19%.

Note 14: In 2017, the Group partnered with Shanghai Scholar Home Enterprise Management Consulting Centre (LIMITED PARTNERSHIP) (上海檀敘企業管理諮詢中心(有限合夥)). Pursuant to the partnership agreement, the proportion of capital contribution made by the Group as a limited partner was 26.6165%, and the Group shall not involve in the management of investment in the joint venture or other activities. The joint venture is mainly engaged in equity investment and management.

Note 15: In 2017, the Group purchased shares of YunDing Network Technology (Beijing) Co., Ltd. (雲丁網絡技術(北京)有限公司) through increase of capital. Such company is mainly engaged in network technology development. As at the end of this year, the equity interest of the investee owned by the Group was 4.0055%.

Note 16: In 2017, the Group purchased shares of Qingdao Yeelink Information Technology Co., Ltd. (青島億聯客信息技術有限公司) through increase of capital. Such company is mainly engaged in information technology development. As at the end of this year, the equity interest of the investee owned by the Group was 5%.

Note 17: In 2017, the Group purchased shares of Xi'an Jiahexing Household Co., Ltd. (西安佳和興家居有限責任公司) through increase of capital. Such company is mainly engaged in development and operation of home furnishing shopping malls. As at the end of this year, the equity interest of the investee owned by the Group was 11.4%.

9. Long-term Receivables

RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Deposits (<i>note 1</i>)	160,192,806.30	-	160,192,806.30	202,459,647.32	-	202,459,647.32
Project loan (<i>note 2</i>)	1,047,335,102.98	-	1,047,335,102.98	540,913,295.89	-	540,913,295.89
Lease deposit	94,257,385.02	-	94,257,385.02	84,288,033.82	-	84,288,033.82
Total	<u>1,301,785,294.30</u>	<u>-</u>	<u>1,301,785,294.30</u>	<u>827,660,977.03</u>	<u>-</u>	<u>827,660,977.03</u>

Note 1: Breakdown of deposits as at the end of the year is as follows:

RMB

Name of entity	Nature	Relationship with the Company	Amount	Proportion to the total deposits (%)
Changsha Ideal Real Estate Development Co., Ltd. (長沙理想房地產開發有限公司)	Performance deposits	Project partner	60,000,000.00	37.45
Shenzhen Renheng Xingcheng Investment Management Co., Ltd. (深圳仁恒星城投資管理有限公司)	Performance deposits	Project partner	36,000,000.00	22.47
Shanxi Chongkang Food Group Co., Ltd. (山西崇康食品集團有限公司)	Performance deposits	Project partner	15,000,000.00	9.36
Human Resources and Social Security Bureau of Panlong District, Kunming (昆明市盤龍區人力資源和社會保障局)	Retention money	Third party	13,000,000.00	8.12
Tianjin Beichen Construction Management Station (天津市北辰區建築管理站)	Retention money	Third party	6,800,000.00	4.24

<i>RMB</i>				
Name of entity	Nature	Relationship with the Company	Amount	Proportion to the total deposits (%)
Human Resources and Social Security Bureau of Western District, Xining City (西寧市城西區人力資源和社會保障局)	Retention money	Third party	6,659,066.30	4.16
Human Resources and Social Security Bureau of Songbei District, Harbin (哈爾濱松北區人力資源和社會保障局)	Retention money	Third party	5,983,740.00	3.74
Shaanxi Weihua Industrial Company Limited (陝西煒華實業有限公司)	Project guarantee deposits	Minority shareholder of the subsidiary	5,000,000.00	3.12
Tianjin Binhai New Area Tanggu Construction Engineering Transaction Management Center (天津市濱海新區塘沽建設工程交易管理中心)	Retention money	Third party	5,000,000.00	3.12
Chongqing Baotian Real Estate Group Co., Ltd. (重慶寶田地產集團有限公司)	Project guarantee deposits	Project partner	5,000,000.00	3.12
Hefei Human Resources and Social Security Bureau (合肥市人力資源和社會保障局)	Retention money	Third party	1,750,000.00	1.10
Total			160,192,806.30	100.00

Note 2: Breakdown of the project borrowings as at the end of the year is as follows:

<i>RMB</i>						
Name of entity	Nature	Relationship with the Company	Amount	Proportion to total project borrowings (%)	Annual interest rate	
Hangzhou Red Star Macalline Global Home Living Company Limited (杭州紅星美凱龍環球家居有限公司)	Shareholder loan	Associate	218,144,320.00	20.83	Non-interest bearing	
Anhui Jincheng Tianli Real Estate Co., Ltd. (安徽錦成天利置業有限公司)	Project loan	Project partner	160,000,000.00	15.28	Annual interest rate of 12%	
Foshan Haoda Development Co., Ltd. (佛山市豪達發展有限公司)	Project loan	Project partner	150,000,000.00	14.32	Non-interest bearing	
Foshan Junda Enterprise Management Co., Ltd. (佛山郡達企業管理有限公司)	Shareholder loan	Investee	146,570,857.22	13.99	Non-interest bearing	
Chengdu Great-wall Industrial Group Limited (成都長城實業集團有限公司)	Money lending	Minority shareholder of the subsidiary	94,000,000.00	8.98	Non-interest bearing	
Nanchang Red Star Macalline Global Home Expo Center Co., Ltd. (南昌紅星美凱龍環球家居博覽中心有限責任公司)	Shareholder loan	Joint Venture	84,970,532.70	8.11	Non-interest bearing	
Shaanxi Weihua Industrial Company Limited (陝西煒華實業有限公司)	Project loan	Minority shareholder of the subsidiary	50,000,000.00	4.77	Non-interest bearing	
LIU Peng	Money lending	Minority shareholder of the subsidiary	41,000,000.00	3.91	Non-interest bearing	
Xi'an Red Star Jiaxin Home Furnishing Co., Ltd. (西安紅星住鑫家居有限公司)	Project loan	Investee	36,810,000.00	3.51	Annual interest rate of 11%	
Xiamen Baoxiang Red Star Macalline Home Furnishing Plaza Company Limited (廈門寶象紅星美凱龍家居生活廣場有限公司)	Shareholder loan	Joint Venture	22,500,000.00	2.15	Non-interest bearing	

RMB

Name of entity	Nature	Relationship with the Company	Amount	Proportion to total project borrowings (%)	Annual interest rate
Xi'an Jiabehing Household Co., Ltd. (西安佳和興家居有限責任公司)	Project loan	Investee	19,240,000.00	1.84	Non-interest bearing
DORIA HOLDINGS LTD.	Money lending	Another shareholder of the associate	10,981,788.17	1.05	Annual interest rate of 12%
Beijing Chaoyang Huayuan North Nong Gong Shang Company (北京市朝北花園農工商公司)	Project loan	Minority shareholder of the subsidiary	10,000,000.00	0.95	Non-interest bearing
Changsha Ideal Real Estate Development Co., Ltd. (長沙理想房地產開發有限公司)	Project loan	Project partner	2,525,250.00	0.24	Non-interest bearing
Wuhan Red Star Macalline Zhengda Logistics Company Limited (武漢紅星美凱龍正達物流有限公司)	Project loan	Investee	592,354.89	0.07	Non-interest bearing
Total			<u>1,047,335,102.98</u>	<u>100.00</u>	

As at the end of this year, long-term receivables included loans relating to partners amounted to RMB507,525,250.00.

10. Long-term Equity Investments

RMB

Investee	Opening balance	Increase in investment	Decrease in investment	Increase/decrease during the year					Other	Closing balance	Investment year	Proportion of shareholding in the investee (%)	Voting rights in the investee
				Investment gain/loss under equity method	Adjustment to other comprehensive income	Other changes to equity	Cash dividend or profit declared	Provision made for impairment					
I. Joint ventures (note 1)													
Shanghai Mingyi	8,667,939.77	-	-	11,065,395.48	-	-	-	-	-	19,733,335.25	2009	50.00%	note 1
Chengdu Dongtai Shopping Mall Company Limited (成都東泰商場有限公司) ("Chengdu Dongtai")	699,245,619.69	-	-	103,272,202.20	-	-	-	-	-	802,517,821.89	2009	50.00%	note 1
Wuhu Red Star Macalline Equity Investment Fund Management Company Limited (蕪湖紅星美凱龍股權投資基金管理有限公司) ("Wuhu Fund")	10,000,000.00	-	-	(218,554.98)	-	-	-	-	-	9,781,445.02	2016	50.00%	note 1
Xiamen Baoxiang Red Star Macalline Home Furnishing Plaza Company Limited (廈門寶象紅星美凱龍家居生活廣場有限公司) ("Xiamen Baoxiang")	4,557,376.00	-	-	(278,307.75)	-	-	-	-	-	4,279,068.25	2016	50.00%	note 1
Nanchang Red Star Macalline Global Home Expo Center Co., Ltd. (南昌紅星美凱龍環球家居博覽中心有限公司) ("Nanchang Global Expo")	-	27,000,000.00	-	-	-	-	-	-	-	27,000,000.00	2017	54.00%	note 1
Sub-total	<u>722,470,935.46</u>	<u>27,000,000.00</u>	<u>-</u>	<u>113,840,734.95</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>863,311,670.41</u>			

RMB

Investee	Opening balance	Increase in investment	Decrease in investment	Increase/decrease during the year					Closing balance	Investment year	Proportion of shareholding in the investee (%)	Voting rights in the investee
				Investment gain/loss under equity method	Adjustment to other comprehensive income	Other changes to equity	Cash dividend or profit declared	Provision made for impairment				
II. Associates (Note 2)												
Shenzhen Red Star Macalline Century Center Home Furnishing Plaza Company Limited (深圳紅星美凱龍世紀中心家居生活廣場有限公司) ("Shenzhen Red Star")	44,408,709.73	-	-	846,353.28	-	-	-	-	45,255,063.01	2008	37.00%	2 seats out of 5 seats of the Board
Haier Consume Financing Company Limited (海爾消費金融有限公司) ("Haier Consume Financing") (Note 3)	128,895,526.08	-	-	11,922,035.19	-	-	-	-	140,817,561.27	2014	25.00%	1 seat out of 6 seats of the Board
Wuhan Red Star Macalline Zhengda Logistics Company Limited (武漢紅星美凱龍正建物流有限公司) ("Wuhan Zhengda") (Note 4)	19,119,602.56	-	(10,119,602.56)	-	-	-	-	(9,000,000.00)	-	note 4	note 4	note 4
Hangzhou Red Star Macalline Global Home Living Company Limited (杭州紅星美凱龍環球家居有限公司) ("Hangzhou Global Home Living")	56,965,000.00	-	-	1,661,478.44	-	-	-	-	58,626,478.44	2016	19.00%	1 seat out of 3 seats of the Board
Meiwi 365 (Tianjin) Technology Company Limited (美屋三六五(天津)科技有限公司) ("Meiwi 365")	20,000,000.00	-	-	(2,099,203.87)	-	-	-	-	17,900,796.13	2016	10.00%	1 seat out of 4 seats of the Board
Shanghai Jiazhan Construction Engineering Company Limited (上海嘉展建築裝潢工程有限公司) ("Jiazhan Construction")	6,667,000.00	-	-	637,104.60	-	-	-	-	7,304,104.60	2016	5.00%	1 seat out of 3 seats of the Board
ArtPollo Network Technology (Beijing) Company Limited (愛波羅網絡科技(北京)有限公司) ("ArtPollo Network Technology")	14,120,000.00	-	-	(45,151.34)	-	-	-	-	14,074,848.66	2016	15.00%	1 seat out of 4 seats of the Board
Klas International Home Living Company Limited (克拉斯國際家居有限公司) ("Klas International")	-	60,000,000.00	-	732,340.93	-	-	-	-	60,732,340.93	2017	30.00%	2 seats out of 5 seats of the Board
Shanghai Reyi Network Technology Company Limited (上海熱一網絡科技有限公司) ("Reyi Network Technology")	-	5,000,000.00	-	274,701.29	-	-	-	-	5,274,701.29	2017	15.01%	1 seat out of 3 seats of the Board
Wuhu Meihe Asset Management Company Limited (蕪湖美和資產管理有限公司)	-	490,000.00	-	-	-	-	-	-	490,000.00	2017	49.00%	2 seats out of 5 seats of the Board
Shanghai UIOT Technology Company Limited (上海愛光樂聯物聯網科技有限公司)	-	22,500,000.00	-	1,488,527.38	-	-	-	-	23,988,527.38	2017	12.32%	1 seat out of 5 seats of the Board
Shanghai Tianhe Smart Home Technology Company Ltd. (上海天合智能科技股份有限公司)	-	59,983,419.00	-	-	-	-	-	-	59,983,419.00	2017	10.00%	1 seat out of 7 seats of the Board
Chengdu Jujiatong Engineering Consultant Inc. (成都居家通物流有限責任公司)	-	40,000,000.00	-	-	-	-	-	-	40,000,000.00	2017	16.00%	1 seat out of 5 seats of the Board
Ant live (Tianjin) Network Technology Co., Ltd. (蠟安居(天津)網絡技術有限公司)	-	50,000,000.00	-	-	-	-	-	-	50,000,000.00	2017	16.67%	1 seat out of 7 seats of the Board

RMB

Investee	Opening balance	Increase/decrease during the year							Closing balance	Investment year	Proportion of shareholding in the investee (%)	Voting rights in the investee	
		Increase in investment	Decrease in investment	Investment gain/loss under equity method	Adjustment to other comprehensive income	Other changes to equity	Cash dividend or profit declared	Provision made for impairment					Other
Wuhan Zhengkai Logistics Co., Ltd. (武漢市正凱物流有限公司) ("Wuhan Zhengkai")	-	127,000,000.00	-	-	-	-	-	-	-	127,000,000.00	2017	19.00%	1 seat out of 7 seats of the Board
Shanghai Harbour Home Investment Management Co., Ltd. (上海海灣投資管理有限公司)	-	750,000.00	-	-	-	-	-	-	-	750,000.00	2017	5.82%	1 seat out of 5 seats of the Board
Beijing Sun-sea Parking Management Co., Ltd. (北京陽光海天停車管理有限公司)	-	98,308,983.63	-	-	-	-	-	-	-	98,308,983.63	2017	15.00%	1 seat out of 5 seats of the Board
Shenzhen Red Star Macalline Longrenheng Home Furnishing Plaza Company Limited (深圳市紅星美凱龍仁恒家居廣場有限公司)(Note 5)	-	-	-	-	-	-	-	-	-	-	2015	43.00%	Not applicable
Macalline Gaohe (Wuhu) Home Furnishing Commercial Property Investment Fund Partnership (Limited Partnership) (美凱龍高和(蕪湖)家居商業地產投資基金合夥企業(有限合夥))(Note 5)	-	-	-	-	-	-	-	-	-	-	2016	49.74%	Not applicable
Wuhu Gaohe Macalline Changxing Investment Center (Limited Partnership) (蕪湖高和美凱龍暢星投資中心(有限合夥))(Note 6)	-	-	-	-	-	-	-	-	-	-	2017	note 6	note 6
Sub-total	290,175,638.37	464,032,402.63	(10,119,602.56)	15,418,185.90	-	-	-	-	(9,000,000.00)	750,506,624.34			
Total	1,012,646,573.83	491,032,402.63	(10,119,602.56)	129,258,920.85	-	-	-	-	(9,000,000.00)	1,613,818,294.75			

Note 1: Pursuant to the articles of association of the investees, significant events are required to obtain unanimous approval in general meetings, and therefore the Group and other shareholders have joint control over such investees. The Group accounts for it as a joint venture.

Note 2: The Group has appointed representatives to the board of directors or similar power of authority of the investees, and is entitled to substantive participation and decision-making rights accordingly, and thereby having material influence over the investees. Therefore, the Group accounts for it as an associate.

Note 3: In 2016, the Group provided guarantee by way of pledge of its 25% equity interests held in Haier Consume Financing for the bank loan obtained by Haier Consume Financing. Please see Note (XI). 2(2) for details.

Note 4: In March 2017, the Group disposed of 22% of its shares held in Wuhan Zhengda and no longer had any significant influence on Wuhan Zhengda. After disposal, the Group still held 18% of shares of Wuhan Zhengda which will be accounted for as available-for-sale financial assets.

Note 5: As at the end of this year, the Group has not paid its share of the registered capital of Shenzhen Red Star Macalline Longrenheng Home Furnishing Plaza Company Limited (深圳市紅星美凱龍仁恒家居廣場有限公司) and Macalline Gaohe (Wuhu) Home Furnishing Commercial Property Investment Fund Partnership (Limited Partnership) (美凱龍高和(蕪湖)家居商業地產投資基金合夥企業(有限合夥)).

Note 6: Wuhu Gaohe Macalline Changxing Investment Center (Limited Partnership) (蕪湖高和美凱龍暢星投資中心(有限合夥)) is a limited partnership enterprise established by the Company and Tianjin Gaohe Equity Investment Fund Management Co., Ltd. (天津高和股權投資基金管理有限公司), in which the Company has a significant influence through its involvement in investment decision-making for such limited partnership enterprise. Macalline Gaohe (Wuhu) Home Furnishing Commercial Property Investment Fund Partnership (Limited Partnership) (美凱龍高和(蕪湖)家居商業地產投資基金合夥企業(有限合夥)) subscribed all of the subordinated asset-backed securities of RMB0.85 billion from the Quasi-REITS Programme to which the Company contributed capital of RMB400 million as a limited partner. For details, please see Note (VI). (3).(1).4. In the consolidated financial statements, the Company offsets the above-mentioned investment of RMB400 million with the investment income from the disposal of two subsidiaries in Tianjin, and hence the balance of long-term equity investments as at the end of this year was zero.

11. Investment Properties

Investment properties with fair value measurement model

RMB

Item	Properties		Total
	Completed properties	under construction	
Opening balance	62,062,000,000.00	4,886,000,000.00	66,948,000,000.00
Additions in the year	439,170,974.54	3,562,559,268.51	4,001,730,243.05
Additions from acquisition of subsidiaries	516,261,490.33	250,719,588.62	766,981,078.95
Changes in fair value	2,108,567,535.13	(112,378,840.83)	1,996,188,694.30
Transfer from properties under construction to completed properties	5,042,000,000.00	(5,042,000,000.00)	-
Decrease upon disposal of subsidiaries	(2,304,000,000.00)	(577,900,016.30)	(2,881,900,016.30)
Closing balance	67,864,000,000.00	2,967,000,000.00	70,831,000,000.00

As at the end of the current year and prior year, the investment properties valued RMB54,025,000,000.00 and RMB47,466,000,000.00 respectively was held by the Group as security for mortgages to acquire the bank borrowings stated in Note (V). 20, 28 and 29.

For both 2017 and 2016, the borrowing costs capitalized amounted to RMB220,390,374.37 and RMB248,918,769.62 respectively.

As at the end of the current year and prior year, the investment properties at fair value of RMB1,516,000,000.00 and RMB1,326,000,000.00 held by the Group was located in the land with the use rights owned by project partners, which was used for scientific research and designs and whose type of use rights was for allocation use. Pursuant to relevant agreement entered into with project partners, the Group recognized the investment properties as investment properties leased by financing lease. The Group held no ownership certificate for such investment properties.

As at the end of this year, some of the investment properties held by the Group with unsettled ownership certificate because of repurchase of business (please see Note (VII).1.(1)(b)), details of which are as follows:

RMB

Item	Closing balance
Home Furnishing Shopping Mall Business Division Of Yunnan Red Star Macalline Property Company Limited (<i>note</i>)	818,000,000.00
Home Furnishing Shopping Mall Business Division Of Dalian Red Star Macalline Investment Development Company Limited	1,188,000,000.00
Changchun Red Star Macalline Shibo Home Living Plaza Company Limited (<i>note</i>)	975,000,000.00
Total	<u>2,981,000,000.00</u>

Note: In January 2018, the Group obtained the ownership certificate for the investment properties held by Home Furnishing Shopping Mall Business Division Of Yunnan Red Star Macalline Property Company Limited and Changchun Red Star Macalline Shibo Home Living Plaza Company Limited.

Except for those investment properties with ownership certificate not settled as stated above, as at the end of this year, the investment properties held by the Group with ownership certificate not settled valued RMB11,551,000,000.00. The Group considers that relevant ownership certificates may be obtained within a period without any additional costs. The status of related investment properties with ownership certificate not settled is as follows:

RMB

Item	Closing balance	Reason for not yet settling ownership certificate
Shanghai Home Furnishing Expo	2,441,000,000.00	Application for ownership certificate is in progress
Shenyang Mingdu Plaza	1,067,000,000.00	Application for ownership certificate is in progress
Hangzhou Shibo Furniture Plaza	253,000,000.00	Application for ownership certificate is in progress
Chongqing Zhongkun Home Living Plaza	307,000,000.00	Application for ownership certificate is in progress
Tianjin World Trade Home Furnishing Plaza	1,041,000,000.00	Application for ownership certificate is in progress
Changsha Yinhong Home Furnishing Plaza	797,000,000.00	Application for ownership certificate is in progress
Lanzhou Shibo Home Furnishing Plaza	385,000,000.00	Application for ownership certificate is in progress
Wuhan Global Home Furnishing Plaza (<i>note</i>)	882,000,000.00	Application for ownership certificate is in progress
Hefei Shibo Furniture Plaza	773,000,000.00	Application for ownership certificate is in progress
Dongguan Red Star Shibo Furniture Plaza	425,000,000.00	Application for ownership certificate is in progress
Harbin Red Star Shibo Furniture Plaza	966,000,000.00	Application for ownership certificate is in progress
Tianjin Home Furnishings Plaza	976,000,000.00	Application for ownership certificate is in progress
Nanjing International Home Living Plaza	1,238,000,000.00	Application for ownership certificate is in progress
Total	<u>11,551,000,000.00</u>	

Note: In January 2018, the Group obtained the ownership certificate for Wuhan Global Home Furnishing Plaza.

The fair value of the Group's investment properties as at the end of the current year and prior year was appraised by the independent appraiser Wan Long (Shanghai) Assets Appraisal Co., Ltd. (萬隆(上海)資產評估有限公司), who had no relationship with the Group. In estimating the fair value of the properties, the best use of the investment properties is their current use. The valuation method adopted remained unchanged. Please see note (IX) for details.

12. Fixed Assets

RMB

Item	Special equipment	Transport equipment	Electronic device, furniture and fixtures	Total
I. Initial carrying amount:				
Opening balance	23,734,818.98	119,535,484.35	239,887,312.80	383,157,616.13
Increased amount at current year	–	23,806,228.23	45,138,816.15	68,945,044.38
(1) Purchase	–	23,806,228.23	30,693,889.73	54,500,117.96
(2) Transfer from construction in progress	–	–	14,444,926.42	14,444,926.42
Reduced amount at current year	348,278.30	8,208,814.54	50,663,281.46	59,220,374.30
(1) Disposal	348,278.30	6,125,014.61	10,330,265.96	16,803,558.87
(2) Decrease upon disposal of subsidiaries	–	2,083,799.93	40,333,015.50	42,416,815.43
Closing balance	23,386,540.68	135,132,898.04	234,362,847.49	392,882,286.21
II. Accumulated depreciation				
Opening balance	2,726,031.21	83,435,291.84	155,333,480.94	241,494,803.99
Increased amount at current year	148,908.20	14,563,021.50	29,537,926.37	44,249,856.07
(1) Provision	148,908.20	14,563,021.50	29,537,926.37	44,249,856.07
Reduced amount at current year	265,272.32	7,896,505.59	43,563,283.94	51,725,061.85
(1) Disposal	265,272.32	6,034,079.71	8,617,529.36	14,916,881.39
(2) Decrease upon disposal of subsidiaries	–	1,862,425.88	34,945,754.58	36,808,180.46
Closing balance	2,609,667.09	90,101,807.75	141,308,123.37	234,019,598.21
III. Impairment provision				
Opening balance	–	–	–	–
Increased amount at current year	–	–	–	–
Reduced amount at current year	–	–	–	–
Closing balance	–	–	–	–
IV. Carrying value				
Closing balance	20,776,873.59	45,031,090.29	93,054,724.12	158,862,688.00
Opening balance	21,008,787.77	36,100,192.51	84,553,831.86	141,662,812.14

As at the end of this year, the Group held no temporarily vacant fixed assets, fixed assets leased under finance lease, fixed assets rented out under operating lease or fixed assets with ownership certificate not settled.

13. Construction in Progress

RMB

Item	Book balance	Closing balance		Book balance	Opening balance	
		Impairment provision	Book value		Impairment provision	Book value
Construction in progress	66,100,052.88	–	66,100,052.88	65,975,322.44	–	65,975,322.44

RMB

Item	Opening balance	Increase at current year	Transfer to fixed assets	Transfer to intangible assets	Other decreases (Note)	Closing balance
Current year:						
Expenses for renovation project of Nanjing European City Shopping Mall (南京歐洲城商場)	28,567,738.46	20,470,420.73	–	–	(49,038,159.19)	–
Expenses for renovation project of Honggutan Wanda Plaza (南昌紅谷灘商場)	–	47,562,799.09	–	–	–	47,562,799.09
Expenses for renovation project of Glory Casa store	–	12,779,450.68	–	–	(10,512,008.87)	2,267,441.81
Others	37,407,583.98	50,281,781.31	(14,444,926.42)	(14,230,597.84)	(42,744,029.05)	16,269,811.98
Total	65,975,322.44	131,094,451.80	(14,444,926.42)	(14,230,597.84)	(102,294,197.11)	66,100,052.88

Note: Mainly refers to the transfer to long-term prepaid expenses.

During the year, there was no interest capitalized in the increase in construction in progress.

14. Intangible Assets

RMB

Item	Software	Trademark use Right (note)	Others	Total
I. Initial carrying amount				
Opening balance	72,088,227.03	525,000,000.00	9,166,275.37	606,254,502.40
Increased amount at current year				
(1) Purchase	56,828,763.31	–	–	56,828,763.31
(2) Transfer from development expenditure	3,347,782.77	–	–	3,347,782.77
(3) Transfer from construction in progress	39,250,382.70	–	–	39,250,382.70
Reduced amount at current year	14,230,597.84	–	–	14,230,597.84
(1) Disposal	1,580,679.24	–	–	1,580,679.24
(2) Decrease upon disposal of subsidiaries	–	–	–	–
Closing balance	1,580,679.24	525,000,000.00	9,166,275.37	661,502,586.47

RMB

Item	Trademark use			Total
	Software	Right (note)	Others	
II. Accumulated amortization				
Opening balance	23,226,750.08	45,208,333.33	8,965,016.58	77,400,099.99
Increased amount at current year	11,709,473.08	13,852,583.66	64,789.98	25,626,846.72
(1) Provision	11,709,473.08	13,852,583.66	64,789.98	25,626,846.72
Reduced amount at current year	141,405.66	–	–	141,405.66
(1) Disposal	–	–	–	–
(2) Decrease upon disposal of subsidiaries	141,405.66	–	–	141,405.66
Closing balance	34,794,817.50	59,060,916.99	9,029,806.56	102,885,541.05
III. Impairment provision				
Opening balance	–	100,000,000.00	–	100,000,000.00
Increased amount at current year	–	–	–	–
(1) Provision	–	–	–	–
Reduced amount at current year	–	–	–	–
(1) Disposal	–	–	–	–
(2) Decrease upon disposal of subsidiaries	–	–	–	–
31 December 2017	–	100,000,000.00	–	100,000,000.00
IV. Carrying value				
Closing balance	92,541,493.60	365,939,083.01	136,468.81	458,617,045.42
Opening balance	48,861,476.95	379,791,666.67	201,258.79	428,854,402.41

Note: RMB525,000,000.00 in the initial carrying amount of the right to use the trademarks is used to purchase the right to use the registered trademark of Jisheng Wellborn (“JSWB”) from Shanghai Jisheng Wellborn Furniture Company Limited (上海吉盛偉邦家居市場經營管理有限公司) (“JSWB Furniture”) by the Company. In May 2014, the Company and the controlling shareholders of the JSWB Furniture entered into a registered trademark licensing contract, pursuant to which, JSWB Furniture authorizes the Company to use eight of its registered trademarks (the “licensed trademarks”) on an exclusive basis, and the Company has the right to use the licensed trademarks in our Portfolio Shopping Mall or Managed Shopping Mall and in the business operation course related with those shopping malls. Meanwhile, the Company has the right to authorize any third parties to use the licensed trademarks within the properties of the shopping malls from 1 June 2014 to 30 May 2044. The Company shall pay an annual fee in standard for establishing shopping malls to use the licensed trademarks in addition to the nonrecurring trademark licensing fee of RMB525,000,000.00, the period for payment is the period from the opening date of the shopping mall to the day when the shopping mall ceases to use the licensing trademarks. The right to use the trademark was amortized on a straight-line basis within 30 years of the licensed period contracted by the Group since June 2014. As at the end of the current year and prior year, the Group’s provisions for impairment of the recoverable amounts in respect of the right to use the trademarks of JSWB determined based on revenue methods amounted to RMB100,000,000.00 for both years.

15. Development Expenditure

RMB

Item	Opening balance	Increase in current year	Transfer to intangible assets for the current year	Closing balance
	–	29,418,402.19	–	29,418,402.19
Total	38,967,363.83	29,701,421.06	(39,250,382.70)	29,418,402.19

The Group started to develop an application platform for online sale in the prior year to capitalize the expenses qualified to be capitalized in the development stage.

16. Goodwill

(1) Initial carrying amount of goodwill

RMB

Name of investee	Opening balance	Increase in current year Arising from business combination	Decrease in current year Disposal	Closing balance
Suzhou Zhongxiang	16,592,357.41	–	–	16,592,357.41
Total	16,592,357.41	–	–	16,592,357.41

As at the end of the current year and prior year, the Group assessed the recoverability of goodwill of Suzhou Zhongxiang, and the recoverable amount of goodwill was determined based on the present value of expected future cash flows. Future cash flows was determined based on the financial budget for 2018–2022 approved by the management with adopting applicable discount rate and the cash flows after 2023 was calculated based on nil increase rate. The management of the Group considers that any reasonable changes in above assumptions will not cause the carrying amounts of the goodwill of the Group exceeding the recoverable amount of the goodwill, and recognize that the goodwill has not been impaired.

17. Long-term Prepaid Expenses

RMB

Item	Opening balance	Increased amount in current year	Amortized amount in current year	Closing balance
Improvement expenditures for fixed assets rented (<i>note</i>)	144,757,310.44	114,708,629.64	58,918,410.06	200,547,530.02
Others	26,450,302.33	7,917,649.20	5,582,062.07	28,785,889.46
Total	171,207,612.77	122,626,278.84	64,500,472.13	229,333,419.48

Note: Improvement expenditures for fixed assets rented represents improvement expenditures for Portfolio Shopping Malls rented, which may be evenly amortized by the Group in stages during an estimated beneficial period of 10 years and the lease term from renting Portfolio Shopping Malls (whichever is shorter).

18. Deferred Tax Assets/Deferred Tax Liabilities

- (1) Deferred tax assets and deferred tax liabilities that are not offset

RMB

Item	Closing balance	Opening balance
Deferred tax assets:		
Changes in fair value of investment properties	35,951,942.03	–
Provision of unpaid expenses	116,740,952.43	142,665,353.29
Provision for bad debt	406,422,478.87	313,439,434.03
Asset-related deferred income	48,035,305.43	35,554,372.33
Cost overruns for carry-over deduction	19,574,636.88	38,426,968.86
Long-term assets capitalized in group's internal transaction	33,427,527.26	29,512,989.55
Deductible loss	219,626,952.22	198,002,725.60
Capitalization of loan interest in the group	9,055,216.11	2,330,266.34
Subtotal	<u>888,835,011.23</u>	<u>759,932,110.00</u>
Deferred tax liabilities:		
Changes in fair value of investment properties	9,553,451,417.47	9,237,264,095.46
Adjustment to the fair value arising from business combination	24,741,501.94	25,489,984.20
Adjustment to the fair value of available-for-sale financial assets	306,463,849.63	–
Others	–	6,919,455.91
Subtotal	<u>9,884,656,769.04</u>	<u>9,269,673,535.57</u>

Base on the future profit forecasts of the relevant entities within the Group, the Group considers that it is possible to obtain sufficient taxable income in future against deductible temporary differences and deductible losses, therefore the relevant deferred tax assets are recognized.

- (2) Offsetting of balances of deferred tax assets or liabilities

RMB

Item	Closing balance		Opening balance	
	Set-off amount of deferred tax assets and deferred tax liabilities at the end of the period	Closing balance of deferred tax assets or deferred tax liabilities after offset	Set-off amount of deferred tax assets and deferred tax liabilities at the end of the period	Closing balance of Deferred tax assets or deferred tax liabilities after offset
Deferred tax assets	170,255,945.15	718,579,066.08	165,327,652.65	594,604,457.35
Deferred tax liabilities	<u>170,255,945.15</u>	<u>9,714,400,823.89</u>	<u>165,327,652.65</u>	<u>9,104,345,882.92</u>

(3) Details of unrecognized deferred tax assets

RMB

Item	Closing balance	Opening balance
Deductible temporary difference	253,746,414.80	311,328,911.87
Deductible loss	<u>2,926,306,881.98</u>	<u>1,723,056,458.85</u>
Total	<u>3,180,053,296.78</u>	<u>2,034,385,370.72</u>

Note: the deferred tax assets have not been recognized because it is uncertain whether sufficient taxable income will be available in the future.

(4) Deductible loss, for which deferred tax assets are not recognized, will expire in the following years

RMB

Year	Closing balance	Opening balance
2017	–	97,325,568.84
2018	238,160,300.10	239,867,313.54
2019	280,045,959.73	296,106,926.34
2020	521,345,844.86	560,169,499.33
2021	545,544,877.93	529,587,150.80
2022	<u>1,341,209,899.36</u>	<u>–</u>
Total	<u>2,926,306,881.98</u>	<u>1,723,056,458.85</u>

(5) Details of taxable temporary differences and deductible temporary differences

RMB

Item	Closing balance	Opening balance
Deductible temporary differences and deductible loss:		
Changes in fair value of investment properties	143,807,768.04	–
Provision of unpaid expenses	499,017,749.45	570,661,413.16
Provision for bad debt	1,647,260,664.98	1,253,757,736.12
Asset-related deferred income	192,141,221.74	142,217,489.32
Cost overruns for carry-over deduction	78,352,856.34	153,707,875.44
Long-term assets capitalized in Group's internal transaction	133,710,109.02	118,051,958.20
Deductible loss	878,507,808.80	792,010,902.40
Capitalization of loan interest in the Group	<u>36,220,864.44</u>	<u>9,321,065.36</u>
Subtotal	<u>3,609,019,042.81</u>	<u>3,039,728,440.00</u>
Taxable temporary differences:		
Changes in fair value of investment properties	38,213,805,669.90	36,949,056,381.84
Adjustment to the fair value arising from business combination	98,966,007.76	101,959,936.80
Adjustment to the fair value of available-for-sale financial assets	2,043,092,330.85	–
Others	<u>–</u>	<u>27,677,823.64</u>
Total	<u>40,355,864,008.51</u>	<u>37,078,694,142.28</u>

19. Other Non-current Assets

RMB

Item	Closing balance	Opening balance
Prepayments for equity transfer (Note 1)	166,100,000.00	–
Prepayments for repurchase (Note 2)	247,705,000.00	247,705,000.00
Prepayments for land (Note 3)	–	360,774,362.17
Entrusted loan (Note 4)	250,985,284.28	160,222,880.86
Capital contribution to investees (Note 5)	178,350,000.00	198,400,000.00
Prepayments for construction	820,469,683.34	728,327,542.29
Prepayments for purchasing an office premise (Note 6)	2,117,929,865.00	210,080,987.00
Construction contributions (Note 7)	179,034,293.38	43,235,238.60
Total	3,960,574,126.00	1,948,746,010.92

Note 1: The Group entered into an agreement with an enterprise that is participated by employees who hold positions in the ultimate controller of the Group and accepted the rights and obligations of home furnishing commercial property acquired by the enterprise from another third party. Pursuant to the agreement, the consideration for the Group to purchase such home furnishing commercial property shall not exceed RMB1,200,000,000.00. At the end of the year, the prepayment for transfer made by the Company pursuant to the agreement amounted to 120,000,000.00.

The Company entered into an agreement with Shaanxi Jiaxin Weiye Industrial Development Company Limited (陝西佳鑫偉業實業發展有限責任公司) (“Jiaxin Weiye”), a partner, pursuant to which, the Company conditionally accepted the transfer of 18.6% equity held by Jiaxin Weiye in a project company. At the end of the year, the prepayment for equity transfer made by the Company pursuant to the agreement amounted to RMB18,600,000.00.

The Company entered into an equity transfer agreement with CapitaRetail China Developments (B) Pte. Ltd., a third party, to purchase the entire equity and all the rights and obligations attached herewith held by it in Kunshan Kaide Commercial Real Estate Co., Ltd. (昆山凱德商用置業有限公司), a project company. At the end of the year, the prepayment for equity transfer made by the Company pursuant to the agreement amounted to RMB27,500,000.00.

Note 2: At the end of the current year and prior year, the balance of RMB247,705,000.00 was the prepayment for repurchase made by the Company for the purchase of 50% equity in the home furnishing shopping mall business segment of Greenland Group Chengdu Jinniu Real Estate Development Co., Ltd. (綠地集團成都金牛房地產開發有限公司) in Shanghai (the “Greenland Jinniu Real Estate Home Furnishing Shopping Mall Business Segment”). For details, please see Note (VII).1.(1).(b).

Note 3: Prepayments for land were credited to other non-current assets, which was due to the land parcels purchased are still in the process of obtaining the land certificates. Upon obtaining of the land certificates, the prepayments for land will be transferred to investment properties.

Note 4: Entrusted loans were the entrusted loans granted by the Group to Zhejiang Mingdu Investment Company Limited (浙江名都投資有限公司) (“Zhejiang Mingdu”), Daqing Xusheng Property Development Company Limited (大慶旭生房地產開發有限公司) (“Daqing Xusheng”), Wuhan Zhuyeshan Group Co., Ltd. (武漢竹葉山集團股份有限公司) (“Wuhan Zhuyeshan”), Langfang Chengqu Real Estate Development Limited Company (廊坊市城區房地產開發有限公司) (“Langfang Chengqu Real Estate”) and Anhui Tenghui, among which:

The entrusted loan granted to Zhejiang Mingdu had an interest rate of 4.75% to 6.40% and a balance amounting to RMB85,000,000.00 as at the end of the year, with the maturity date from 28 July 2018 to 28 July 2019, among which, the entrusted loan accounted as other non-current assets due within one year amounted to RMB55,000,000.00, and the entrusted loan accounted as other non-current assets amounted to RMB30,000,000.00 as at the end of the year;

The entrusted loan granted to Daqing Xusheng had an interest rate of 22% above the benchmark rate for five-year loans and a balance amounting to RMB32,285,284.28 as at the end of the year, with the maturity date of 15 December 2020, all of which were accounted as other non-current assets as at the end of the year;

The entrusted loan granted to Wuhan Zhuyeshan had an interest rate of 12% and a balance amounting to RMB140,000,000.00 as at the end of the year, with the maturity date of 5 December 2019, all of which were accounted as other non-current assets as at the end of the year;

The entrusted loan granted to Langfang Chengqu Real Estate has an interest rate of 18.5% above the benchmark rate for five-year loans and a balance amounting to RMB48,700,000.00 as at the end of the year, with the maturity date of 18 July 2027, all of which were accounted as other non-current assets as at the end of the year;

The entrusted loan issued to Anhui Tenghui has an interest rate of 6.00% and a balance amounting to RMB65,000,000.00 as at the end of the year, with the maturity date of 16 December 2018, all of which were accounted as other non-current assets due within one year as at the end of the year.

Note 5: Capital contributions to investees: pursuant to the relevant contracts entered into between the Company and other shareholders of the relevant investees, during the agreed cooperation period, the Company shall not participate in the distribution of other remaining profits by the investees except for the agreed fixed income and reclamation of the capital contributions, or shall not enjoy other remaining profit distribution other than the Company's capital contributions. Such capital contributions to investees were classified as other non-current assets but not treated as long-term equity investments by the Company. At the end of the year, the balance of capital contributions to investees decreased by RMB20,050,000.00 as compared to that at the end of the prior year, among which, new capital contributions to investees amounted to RMB9,500,000.00, capital contributions to investees reclaimed amounted to RMB17,550,000.00, and provision for impairment amounted to RMB12,000,000.00.

Note 6: The Company entered into a pre-sale contract of commodity houses with respect to the purchase of an office property (with an estimated total GFA of approximately 57,900 sq.m.) in Minhang District, Shanghai in the amount of RMB2,100,809,865.00 in 2016. Pursuant to such pre-sale contract, the payment method is installment payment. At the end of the prior year, the Group paid 10% of the consideration as the down payment. At the end of the year, the Group has paid the consideration in full and handled the online registration procedures for the pre-sale of commodity houses. Meanwhile, the Group also subscribed for the use right of the first floor underground, right-to-use parking space and property right parking space of such office property during the year, and paid a deposit of RMB17,120,000.00 pursuant to the subscription agreement. As at the date of the financial statements, the abovementioned property has not been completed and accepted upon examination.

Note 7: Pursuant to the cooperation agreements entered into between the Company and Henan Derun Real Estate Company Limited (河南德潤置業有限公司) ("Henan Derun") and Shanxi Chongkang Real Estate Development Co., Ltd. (山西崇康房地產開發有限公司) ("Shanxi Chongkang"), both of them are partners, before the establishment of all project companies, the arrangements for project construction are as follows:

The project partners shall provide the land for project construction and make sure the suitability of the land for the development purpose of home furnishing shopping malls. The project partners shall be responsible for the land cost investment required for project construction, while the Company shall be responsible for capital investment in project development, construction, etc. In the early development of the project, the Company and the project partners shall establish a joint project management team or a project headquarter, of which the main members shall be appointed by the Company, and the project partners shall be entitled to appoint the relevant members to participate and supervise.

Subject to the prescribed conditions, the Company or the designated related party of the Company shall provide loans to the project partners in the form of entrusted loans, which will be used for project planning, design and other upfront expenditures. The Company shall provide entrusted loans to the project partners through designated commercial banks, and the loan interest shall be borne by the Company. The funds shall be transferred to the jointly managed accounts established in the name of the project partners, and shall be used only after both parties issue a directive to the relevant bank.

In compliance with the transfer conditions of the construction in progress on the cooperative land parcels as agreed in the cooperation agreement, and upon the review of the actual capital investment in the project construction by an independent auditor recognized by both parties, the project partners shall transfer the construction in progress by way of investment or transfer to the Company or the project companies jointly established by both parties, settle the payment in the manner agreed in the agreement, and repay the corresponding entrusted loans.

At the end of the current year and prior year, the total amount of principal and interest of the entrusted loans provided by the Group to Henan Derun based on the above arrangements were RMB45,488,092.20 and RMB43,235,238.60, respectively; and at the end of the current year and prior year, the total amount of principal and interest of the entrusted loans provided by the Group to Henan Zhongheng Construction Development Co., Ltd., the construction party of Henan Derun, based on the above arrangements were RMB75,000,000.00 and RMB0, respectively.

At the end of the current year and prior year, the total amount of principal and interest of the entrusted loans provided by the Group to Shanxi Chongkang based on the above arrangements were RMB58,546,201.18 and RMB0, respectively.

20. Short-term Loans

RMB

Item	Closing balance	Opening balance
Mortgage loans	10,000.00	10,000.00
Mortgage and pledge loans (Note 1)	–	500,000,000.00
Credit loans (Note 2)	300,000,000.00	–
Total	300,010,000.00	500,010,000.00

Note 1: The short-term loans of RMB500,000,000.00 as at the end of the prior year was secured with the investment properties of a subsidiary, Shanghai Red Star Macalline Home Furnishing City Company Limited by the Group and pledged the shareholdings of Shanghai Red Star Macalline Home Furnishing Design Expo Company Limited with carrying amount of RMB445,000,000.00. The borrowing was repaid in 2017.

Note 2: Credit loans were the loans obtained for the guarantees provided by the companies within the Group.

As at the end of the current year and prior year, there were no outstanding short-term loans of the Group that were overdue.

21. Accounts Payable

(1) Details of accounts payable are as follows:

RMB

Item	Closing balance	Opening balance
Amount payables for advertisements and purchase of goods	491,215,018.66	353,219,391.21
Total	491,215,018.66	353,219,391.21

As at the end of the current year and prior year, the accounts payable aged more than one year of the Group amounted to RMB8,344,607.73 and RMB10,020,870.41, respectively.

22. Advance from Customers

RMB

Item	Closing balance	Opening balance
Rental	1,264,772,652.06	1,029,501,506.56
Charges for the consulting and management service titled the Company's name for the early stage of the project	1,004,930,781.91	599,549,999.99
Charges for the annual consulting and management service titled the Company's name for the project	190,995,805.46	123,145,010.85
Commerce and management consultancy fee over projects	76,000,000.00	66,000,000.00
Revenue from commerce consultancy and merchant commission	166,761,415.53	49,000,000.00
Advertising expenses	7,527,882.45	10,919,579.64
Others	357,293,763.75	188,997,080.04
Total	3,068,282,301.16	2,067,113,177.08

At the end of the current year and prior year, the advance from customers aged more than one year for the charges for the consulting and management service titled the Company's name for the early stage of the project amounted to RMB366,800,000.00 and RMB350,750,000.00 respectively, and the advance from customers aged more than one year for the charges for the annual consulting and managed service title the Company's name for the project amounted to RMB15,495,151.90 and RMB17,403,765.47 respectively. The revenue has not been recognized at the end of the corresponding year due to failure in meeting revenue recognition criterion.

23. Payroll Payable

(1) Details of payroll payable are as follows

RMB

Item	Opening balance	Increase in the current year	Decrease in the current year (Note)	Closing balance
1. Short-term compensation	530,570,893.22	2,765,535,362.79	2,509,834,932.04	786,271,323.97
2. Termination benefits	869,400.00	13,664,872.71	11,360,023.41	3,174,249.30
3. Retirement benefits-defined contribution plans	8,655,884.13	218,274,557.55	215,838,898.91	11,091,542.77
Total	540,096,177.35	2,997,474,793.05	2,737,033,854.36	800,537,116.04

Note: Decrease in the current year includes the decrease in the payroll payable of RMB5,320,803.66 due to disposal of subsidiaries.

(2) Details of short-term compensation are as follows

RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
I. Wages or salaries, bonuses, allowances and subsidies	518,678,137.31	2,387,642,897.87	2,134,607,100.32	771,713,934.86
II. Staff welfare	85,535.00	144,412,177.67	144,465,869.67	31,843.00
III. Social security contributions	4,511,349.88	109,963,291.47	108,926,828.94	5,547,812.41
Including: Medical insurance	3,963,195.47	96,502,199.43	95,619,831.06	4,845,563.84
Work injury insurance	272,213.92	5,448,274.20	5,469,672.15	250,815.97
Maternity insurance	275,940.49	8,012,817.84	7,837,325.73	451,432.60
IV. Housing funds	4,263,155.48	95,306,970.88	93,627,316.10	5,942,810.26
V. Labour union and staff education fund	3,032,715.55	28,210,024.90	28,207,817.01	3,034,923.44
Total	530,570,893.22	2,765,535,362.79	2,509,834,932.04	786,271,323.97

(3) Retirement benefits-defined contribution plans

RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
1. Pension insurance	8,232,097.07	211,375,216.32	208,970,794.44	10,636,518.95
2. Unemployment insurance	423,787.06	6,899,341.23	6,868,104.47	455,023.82
Total	8,655,884.13	218,274,557.55	215,838,898.91	11,091,542.77

The Group participated in the pension insurance and unemployment insurance set up by the government agencies according to the regulations. According to such schemes, the Group contributes 14% to 21% and 0.5% to 2.0% of the basic salaries of its employees to these schemes, respectively. Other than aforesaid monthly contributed fees, the Group will not assume any further payments. The corresponding expenses will be charged to the profit or loss in the current period or costs of relevant assets when it occurs

At the end of the current year and prior year, the Group shall contribute RMB211,375,216.32, RMB6,899,341.23 and RMB159,251,132.51, RMB7,950,285.39, respectively, to pension insurance and unemployment insurance.

At the end of the current year and prior year, the Group's payable amounts of RMB10,636,518.95, RMB455,023.82 and RMB8,232,097.07, RMB423,787.06 was the outstanding amounts contributed to pension insurance and unemployment insurance scheme which has been provided at the end of this reporting period. Such payables have been paid subsequent to the reporting period.

24. Taxes Payables

	<i>RMB</i>	
Item	Closing balance	Opening balance
VAT	260,895,356.26	184,688,882.33
Enterprise income tax	588,091,629.40	199,564,377.91
Property tax	39,649,408.65	40,913,943.30
Others	38,630,245.19	28,806,829.14
	<u>927,266,639.50</u>	<u>453,974,032.68</u>
Total	<u>927,266,639.50</u>	<u>453,974,032.68</u>

25. Interest Payables

	<i>RMB</i>	
Item	Closing balance	Opening balance
Interests on long-term loans with periodic payments of interest and return of principal at maturity	31,581,648.86	17,834,679.33
Commercial mortgage backed securities interest (Note (V).33.2)	36,465,000.00	-
Interests on bonds	108,977,193.75	101,912,795.70
Interests payable for short-term loans	1,667,512.08	543,762.08
	<u>178,691,354.69</u>	<u>120,291,237.11</u>
Total	<u>178,691,354.69</u>	<u>120,291,237.11</u>

At the end of the current year and prior year, there was no interest payable of the Group that was overdue.

26. Dividends Payable

RMB

Item	Closing balance	Opening balance
Zhejiang Mingdu Investment Company Limited	51,960,000.00	120,000,000.00
Jin Yan	4,000,000.00	9,500,000.00
Shanghai Xinchangzheng (Group) Company Limited	6,000,000.00	7,920,000.00
Wah Lun International Development Limited	–	1,080,000.00
Total	61,960,000.00	138,500,000.00

Note: Dividends payable to minority shareholders of the subsidiaries of the Group.

27. Other Payables

(1) Details of other payables are as follows:

RMB

Item	Closing balance	Opening balance
Proceeds collected on behalf of the tenants	2,346,259,268.66	1,303,284,841.62
Deposits from tenants	1,816,499,570.48	1,421,900,377.11
Payment received in advance from partners	152,900,000.00	270,400,000.00
Amounts due to and from partners	809,321,874.67	580,285,509.25
Accrual expenses	217,405,781.98	250,615,063.76
Rental deposits from tenants	751,021,735.06	387,412,777.26
Amounts payable to construction contractors	900,281,717.08	599,649,921.94
Lease payable	50,917,834.27	51,603,323.91
Amounts payable for equity transfer (Note 1)	–	30,988,965.89
Amounts payable for prepaid cards (Note 2)	73,420,850.89	88,341,679.60
Others	220,680,904.08	174,483,857.49
Total	7,338,709,537.17	5,158,966,317.83

Note 1: Amounts payable for equity transfer was due to the unpaid consideration for the acquisition of 60% equity in the home furnishing shopping mall business segment of Suzhou Kairun Real Estate Co., Ltd. (蘇州凱潤置業) (“Suzhou Kairun”) by the Group from Chongqing Qifa, a related party, in 2015. Such payable has been settled in 2017.

Note 2: Represents the balance of prepaid cards that has been sold but not used by the Group. In accordance with the Administrative Measures for Single-purpose Commercial Pre-paid Cards (《單用途商業預付卡管理辦法》) issued by the Ministry of Commerce, upon compliance filing with Shanghai Municipal Commission of Commerce in June 2013, the Group has been issuing “Red Star Macalline Single-purpose Commercial Pre-paid Cards” (hereinafter referred to as the “Pre-paid Cards”) since July 2013, which have been using in all shopping malls within the Group. Prepaid Cards were included in liabilities upon sales. When consumption is made by customers with Prepaid Cards in the shopping malls within the Group, the Group will settle the balance after deducting the commission income of the Group with tenants and make payments pursuant to the agreement.

28. Non-current Liabilities Due within One Year

(1) Details of non-current liabilities due within one year are as follows:

	<i>RMB</i>	
Item	Closing balance	Opening balance
Long-term loans due within one year	4,011,084,091.87	2,287,286,181.59
Financial lease payable due within one year	13,277,093.22	13,277,093.22
Long-term rental due within one year	20,000,000.00	20,000,000.00
Bonds payable due within one year	5,486,714,288.88	1,889,468,073.34
Commercial mortgage backed securities due within one year (<i>Note (V).33.2</i>)	19,000,000.00	–
Total	9,550,075,473.97	4,210,031,348.15

(2) Long-term loans due within one year

	<i>RMB</i>	
Item	Closing balance	Opening balance
Mortgage loans (<i>Note</i>)	3,479,754,437.95	1,823,780,000.00
Pledge loans (<i>Note</i>)	87,900,000.00	–
Mortgage and pledge loans (<i>Note</i>)	173,837,500.00	91,500,000.00
Mortgage and guaranteed loans (<i>Note</i>)	197,500,000.00	241,407,790.20
Mortgage, pledge and guaranteed loans (<i>Note</i>)	62,092,153.92	111,598,391.39
Credit loans (<i>Note</i>)	10,000,000.00	19,000,000.00
Total	4,011,084,091.87	2,287,286,181.59

Note: Please see Note (V).29.

At the end of the current year and prior year, there were no overdue long-term loans due within one year, of which the durations are extended.

At the end of the current year and prior year, please see Note (V).29 for details of the interest rate of the Group's borrowings.

29. Long-term Loans

(1) Categories of long-term loans

	<i>RMB</i>	
Item	Closing balance	Opening balance
Mortgage loans (<i>Note 1</i>)	6,215,305,888.66	5,962,990,000.00
Pledge loans (<i>Note 2</i>)	2,300,650,000.00	–
Mortgage and pledge loans (<i>Note 3</i>)	1,715,765,625.00	756,750,000.00
Mortgage and guaranteed loans (<i>Note 4</i>)	585,000,000.00	988,592,209.80
Mortgage, pledge and guaranteed loans (<i>Note 5</i>)	520,942,971.15	739,205,035.95
Credit loans (<i>Note 6</i>)	35,000,000.00	–
Total	11,372,664,484.81	8,447,537,245.75

Note 1: Represents the loans obtained by securing with the investment properties. Please see Note (V).11 and Note (V).55.

Note 2: Represents the loans obtained by pledging all of the operating revenue of the shopping malls during the loan period. Please see Note (V).55.

Note 3: Represents the borrowings obtained by securing with the investment properties and pledging with all of the operating revenue of the shopping malls during the loan period. Please see Note (V).11 and Note (V).55.

Note 4: Represents the borrowings obtained by securing with the investment properties and providing guarantee by the related parties. Please see Note (V).11 and 55 and Note (X).5(3).

Note 5: Represents the borrowings obtained by securing the investment properties and pledging cash and bank and all of the operating revenue of the shopping mall during the loan period and providing guarantee by related parties. Please see Note (V).1, 11 and 55 and Note (X).5(3).

Note 6: Represents the loans obtained by providing guarantees by the companies within the Group.

At the end of the current year and prior year, there were no long-term loans that were overdue.

(2) Interest rate on borrowings

At the end of the year, the aforesaid fixed-rate borrowings carried interest rates at 3.15% to 4.46% per annum, and the variable-rate borrowings carried interest rates at 2.30% to 7.59% per annum.

At the beginning of the year, the aforesaid fixed-rate borrowings carried interest rates at 4.75% to 7.59% per annum, and the variable-rate borrowings carried interest rates at 4.41% to 6.41% per annum.

At the end of the current year and prior year, variable-rate borrowings and fixed-rate borrowings by amounts present as follows:

	<i>RMB</i>	
Item	Closing balance	Opening balance
Fixed-rate borrowings	1,965,363,125.00	1,510,010,000.00
Variable-rate borrowings	13,718,395,451.68	9,724,823,427.34
Total	<u>15,683,758,576.68</u>	<u>11,234,833,427.34</u>
Including: Short-term borrowings	300,010,000.00	500,010,000.00
Long-term loans due within one year	4,011,084,091.87	2,287,286,181.59
Long-term loans	<u>11,372,664,484.81</u>	<u>8,447,537,245.75</u>

30. Bonds Payable

RMB

Item	Closing balance	Opening balance
First tranche of the medium-term notes of 2013 of Red Star Macalline Group Corporation Ltd.	–	497,030,950.08
Corporate notes of 2015 of Red Star Macalline Group Corporation Ltd. (the first tranche)	–	4,973,682,713.22
First tranche of 5-year Corporate notes of Red Star Macalline Group Corporation Ltd. in 2016	1,490,868,192.87	1,485,447,044.30
First tranche of 7-year Corporate notes of Red Star Macalline Group Corporation Ltd. in 2016	1,482,044,142.78	1,477,939,985.71
5-year US\$-denominated bonds of Hong Kong Red Star Macalline in 2017	1,923,565,824.50	–
Total	4,896,478,160.15	8,434,100,693.31

RMB

Name of bonds	Par value	Issue date	Maturity	Issue amount	Opening balance	Interests payable at the beginning of the period	Issued in the period	Interest based on par value	Amortization of premium and for discount	Repayments in the period	Interest payable at the end of the period	Exchange gains and losses	Closing balance
31 December 2017													
Second tranche of the medium-term notes of 2012 of Red Star Macalline Group Corporation Ltd.													
	900,000,000.00	13 December 2012	5 years	875,775,000.00	894,941,194.51	2,808,629.03	–	52,181,370.97	5,058,805.49	(954,990,000.00)	–	–	–
First tranche of the medium-term notes of 2013 of Red Star Macalline Group Corporation Ltd.													
	500,000,000.00	11 September 2013	5 years	492,200,000.00	497,030,950.08	12,500,000.00	–	37,500,000.00	1,695,416.17	(37,500,000.00)	12,500,000.00	–	498,726,366.25
First tranche non-public debt financing instruments of 2014 of Red Star Macalline Group Corporation Ltd.													
	1,000,000,000.00	8 December 2014	3 years	987,700,000.00	994,526,878.83	6,666,666.67	–	73,333,333.33	5,473,121.17	(1,080,000,000.00)	–	–	–
Corporate notes of 2015 of Red Star Macalline Group Corporation Ltd. (the first tranche)													
	5,000,000,000.00	10 November 2015	5 years	4,958,670,000.00	4,973,682,713.22	31,250,000.00	–	225,000,000.00	14,305,209.41	(225,000,000.00)	31,250,000.00	–	4,987,987,922.63
First tranche of 5-year Corporate notes of Red Star Macalline Group Corporation Ltd. in 2016													
	1,500,000,000.00	14 July 2016	5 years	1,483,202,830.18	1,485,447,044.30	21,875,000.00	–	52,500,000.00	5,421,148.57	(52,500,000.00)	21,875,000.00	–	1,490,868,192.87
First tranche of 7-year Corporate notes of Red Star Macalline Group Corporation Ltd. in 2016													
	1,500,000,000.00	14 July 2016	7 years	1,476,127,358.48	1,477,939,985.71	26,812,500.00	–	64,350,000.00	4,104,157.07	(64,350,000.00)	26,812,500.00	–	1,482,044,142.78
5-year US\$-denominated bonds of Hong Kong Red Star Macalline in 2017													
	\$300,000,000.00	21 September 2017	5 years	1,937,306,895.63	–	–	1,937,306,895.63	16,539,693.75	1,782,601.37	–	16,539,693.75	(15,523,672.50)	1,923,565,824.50
Total				12,210,982,084.29	10,323,568,766.65	101,912,795.70	1,937,306,895.63	521,404,398.05	37,840,459.25	(2,414,340,000.00)	108,977,193.75	(15,523,672.50)	10,383,192,449.03
Less: Bonds payable due within one year													5,486,714,288.88
Bonds payable due after one year													4,896,478,160.15

In August 2012, the Company was approved by National Association of Financial Market Institutional Investors to issue the medium-term notes in the PRC of RMB1,500 million and the registered amount would be effective for two years, and the notes may be issued in tranches during the valid period of the registration. The Company issued the first tranche of the medium-term notes of 2012 of RMB600 million in August 2012, which referred as 12 Macalline MTN1, and the issuance price was RMB100 par value with a fixed rate of interest at 5.44%. The bonds shall be payable annually in three years. The Company has repaid the principal and interest in 2015. The Company issued the second tranche of the medium-term notes of 2012 of RMB900 million in December 2012, which referred as 12 Macalline MTN2, and the issuance price was RMB100 par value with a fixed rate of interest at 6.11%. The bonds shall be payable annually in five years. The Company has repaid the principal and interest in 2017.

In August 2013, the Company was approved by National Association of Financial Market Institutional Investors to issue the medium-term notes in the PRC of RMB1,000 million and the registered amount would be effective for two years, and the notes may be issued in tranches during the valid period of the registration. The Company issued the first tranche of the medium-term notes of 2013 of RMB500 million in September 2013, which referred as 13 Macalline MTN001, and the issuance price was RMB100 par value with a fixed rate of interest at 7.50%. The bonds shall be payable annually in five years.

In August 2013, the Company registered with and was approved by National Association of Financial Market Institutional Investors to issue the debt financing instruments in the PRC of RMB4,000 million and the registered amount would be effective for two years, and the notes may be issued in tranches during the valid period of the registration. The Company issued the first tranche of the non-public debt financing instruments of 2014 of RMB1,000 million in December 2014, which referred as 14 Macalline PPN001, and the issuance price was RMB100 par value with a fixed rate of interest at 8%. The bonds shall be payable annually in three years. The Company has repaid the principal and interest in 2017.

In 2015, the Company was approved by China Securities Regulatory Commission to issue corporate bonds of no more than RMB10 billion in the PRC to qualified investors, the maturity of the bonds was no more than 7 years, and the issuance price was RMB100 par value. The Company issued the first tranche of corporate bonds totally RMB5,000 million in November 2015, which referred as 15 Hongmei 01 (the bond code: 136032), with the issuance price of RMB100 par value with a fixed rate of interest at 4.5%. The maturity of the bond is five years, and shall be paid annually. And the bond is attached with the Company's option to adjust the coupon rate and the investors' option to sell back at the end of the third year.

The Company issued the second tranche of corporate bonds in July 2016. The second tranche of corporate bonds comprised of two types of bonds, the first type: referred as 16 Hongmei 01 with the issuance price of RMB100 par value with a fixed rate of interest at 3.5%. The bond shall be payable annually in five years, and was attached with the Company's option to adjust the coupon rate and the investors' option to sell back at the end of the third year; the second type: referred as 16 Hongmei 02 with the issuance price of RMB100 par value with a fixed rate of interest at 4.29%. The bond shall be payable annually in seven years and was attached with the Company's option to adjust the coupon rate and the investors' option to sell back at the end of the fifth year.

Hong Kong Red Star Macalline, a subsidiary of the Group, issued the US\$-denominated bonds totally US\$300 million on 21 September 2017, which referred as B2022(5278), with a fixed rate of interest at 3.375%. The maturity of the bond is five years, and shall be paid semi-annually. Hong Kong Red Star Macalline is entitled with the right to redeem the whole instead of part of the bond. The Company provided unconditional irrevocable guarantee for the US\$-denominated bonds issued by Hong Kong Red Star Macalline.

The Group adopted the effective interest rate method and subsequently measured at amortized cost in respect of bonds payable.

31. Long-term Payables

RMB

Item	Closing balance	Opening balance
Long-term rental	344,655,634.92	336,482,178.17
Compensation fees due to breach of contract	1,940,585.02	5,692,941.61
Finance lease payables (Note 1)	415,215,826.20	419,692,717.10
Amounts due to and from partners (Note 2)	464,505,129.78	674,462,914.80
Contributions from minority shareholders (Note 3)	189,380,899.50	39,380,899.50
Total	<u>1,415,698,075.42</u>	<u>1,475,711,651.18</u>

Note 1: financial lease payable occurs when the Group leases buildings from the lessors within the term of the building use rights. Please see below table for details.

RMB

Minimum lease payment	Closing balance	Opening balance
First year after the balance sheet date	36,183,376.08	36,183,376.08
Second year after the balance sheet date	31,249,088.04	31,249,088.04
Third year after the balance sheet date	31,249,088.04	31,249,088.04
Subsequent years	864,558,102.44	895,807,190.48
Total minimum lease payment	963,239,654.60	994,488,742.64
Less: Unrecognized financial charge	534,746,735.18	561,518,932.32
Financial lease payables	428,492,919.42	432,969,810.32
Including: Financial lease payables due within one year	13,277,093.22	13,277,093.22
Financial lease payables due after one year	<u>415,215,826.20</u>	<u>419,692,717.10</u>

Note 2: Amounts due to and from partners are the borrowings provided by the minority shareholders of certain subsidiaries of the Group, and shall be repaid by agreements after the completion of relevant cooperation projects and existing surplus or be repaid on demands after one year. Therefore, such amounts shall be recorded as long-term payables.

Note 3: Please see Note (VII), 1,(1), (c).

32. Deferred Income

RMB

Item	Closing balance	Opening balance
Asset-related government grant	<u>192,141,221.74</u>	<u>195,413,309.31</u>
Total	<u>192,141,221.74</u>	<u>195,413,309.31</u>

Government grant:

RMB

Liabilities item	Opening balance	Increased grants in the current year	Amount included in other income in the current year	Closing balance	Related to assets/profit
Subsidy for gas-fired air conditioning equipment	1,417,225.00	-	1,417,225.00	-	Related to assets
Subsidy for land supporting expenses (Note)	193,996,084.31	10,110,000.00	11,964,862.57	192,141,221.74	Related to assets
Total	195,413,309.31	10,110,000.00	13,382,087.57	192,141,221.74	

Note: Represents the project government grants obtained by Tianjin Home Furnishing Plaza, Shenyang Mingdu and the Company, subsidiaries of the Group, from the management committee of Tanggu Marine High-tech Development Area of Tianjin City (天津市塘沽海洋高新技術開發區管理委員會), Beiling subdistrict office of Yuhong District of Shenyang City (瀋陽市於洪區北陵街道辦事處) and Development and Reform Commission of Shuimogou District of Urumqi (烏魯木齊市水磨溝區經濟和發展改革委員會). Such government grants were included in deferred income due to the relation of such project grants to assets.

33. Other Non-Current Liabilities

RMB

Item	Closing balance	Opening balance
Charger for the consulting and management service titled the Company's name for the early stage of the project (Note 1)	400,120,500.00	400,320,500.00
Charger for the annual consulting and management service titled the Company's name for project (Note 1)	15,000,000.00	15,000,000.00
Commercial mortgage backed securities (Note 2)	2,359,400,000.00	-
Total	2,774,520,500.00	415,320,500.00

Note 1: Represents entrusted operation management related amounts received by the Company in advance. The amounts received in advance were included to other non-current liabilities as the management expects the corresponding revenue to these amounts will be recognized after one year.

Note 2: The Company issued the home furnishing shopping mall asset-backed securities, namely the First Tranche of Red Star Macalline Home Furnishing Marketplace Asset-Backed Special Project, on 22 September 2017. Such asset-back special project is pledged with the assets of two shopping malls of the Group in Shanghai and Tianjin and their rental income rights, which included Class A Preferred Securities (Securities abbreviation: "Macalline 1A", Securities code: 146550) and Class B Preferred Securities (Securities abbreviation: "Macalline 1B", Securities Code: 146551). Macalline 1A had an issuance size of RMB1,350 million, with an annualized return of 5.00% and a maturity of 18 years, the principal and interest of which shall be repaid annually. The relevant amounts of Macalline 1A due within one year have been included in the non-current liabilities due within one year, for details of which, please see Note (V). 28(1). Macalline 1B had an issuance size of RMB1,050 million, with an annualized return of 6.20% and a maturity of 18 years, the principal of which shall be repaid in a one-off manner upon maturity.

34. Share Capital

RMB

Shareholders	Opening balance	Changes in the current year			Subtotal	Closing balance
		New shares issued	Others			
For the current year:						
RSM Holding	2,480,315,772.00	-	-	-	-	2,480,315,772.00
Ping'an Pharmacy	3,688,206.00	-	-	-	-	3,688,206.00
Shanghai Jinghai Assets Management Center (Limited Partnership)	56,849,998.00	-	-	-	-	56,849,998.00
Shanghai Kaixing Business Administration Center (Limited Partnership)	7,589,999.00	-	-	-	-	7,589,999.00
Shanghai Hongmei Investment Management Center (Limited Partnership)	12,659,994.00	-	-	-	-	12,659,994.00
Public shareholders of H Shares	1,062,813,069.00	-	-	-	-	1,062,813,069.00
Total	3,623,917,038.00	-	-	-	-	3,623,917,038.00
For the prior year:						
Shareholders	Opening balance	New shares issued	Others		Subtotal	Closing balance
RSM Holding	2,480,315,772.00	-	-	-	-	2,480,315,772.00
Ping'an Pharmacy	3,688,206.00	-	-	-	-	3,688,206.00
Shanghai Jinghai Assets Management Center (Limited Partnership)	56,849,998.00	-	-	-	-	56,849,998.00
Shanghai Kaixing Business Administration Center (Limited Partnership)	7,589,999.00	-	-	-	-	7,589,999.00
Shanghai Hongmei Investment Management Center (Limited Partnership)	12,659,994.00	-	-	-	-	12,659,994.00
Public shareholders of H Shares	1,062,813,069.00	-	-	-	-	1,062,813,069.00
Total	3,623,917,038.00	-	-	-	-	3,623,917,038.00

35. Capital Reserve

RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
For the current year:				
Share premium	5,620,013,738.96	-	257,898,353.41	5,362,115,385.55
Including: capital invested by investors	5,786,331,727.05	-	-	5,786,331,727.05
The difference arising from business combination under common control	(180,578,073.16)	-	-	(180,578,073.16)
Others (Note 1)	14,260,085.07	-	257,898,353.41	(243,638,268.34)
Total	<u>5,620,013,738.96</u>	<u>-</u>	<u>257,898,353.41</u>	<u>5,362,115,385.55</u>
For the prior year:				
Share premium	5,626,975,204.20	9,200,000.00	16,161,465.24	5,620,013,738.96
Including: capital invested by investors	5,786,331,727.05	-	-	5,786,331,727.05
The difference arising from business combination under common control	(180,578,073.16)	-	-	(180,578,073.16)
Others (Note 2)	21,221,550.31	9,200,000.00	16,161,465.24	14,260,085.07
Total	<u>5,626,975,204.20</u>	<u>9,200,000.00</u>	<u>16,161,465.24</u>	<u>5,620,013,738.96</u>

Note 1: Represents the effect of the bargain acquisition of the minority shareholding of the subsidiaries by the Group. Please see Note (VII).2 for details.

Note 2: The increase was due to the effect of the adjustments made by the Group on the contribution amount by the subsidiaries. The decrease was due to the effect of the Group's bargain acquisition of the minority shareholding of the subsidiaries and disposal of partial equity in subsidiaries. Please see Note (VII).2 for details.

36. Other Comprehensive Income

Item	Opening balance	Amount recognized in the current year				Closing balance	
		Amount before income tax in the current year	Less: previously included in other comprehensive income converted to current profit and loss	Less: income tax expense	After-tax amount attributable to the owners of the Company		After-tax amount attributable to non-controlling interests
Other comprehensive income to be reclassified into the profit or loss subsequently:							
Gains and losses from changes in fair value of available-for-sale financial assets	-	2,043,092,330.85	-	306,463,849.63	1,562,965,633.10	173,662,848.12	1,736,628,481.22

37. Surplus Reserve

RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
2017:				
Statutory surplus reserve	<u>1,226,111,855.65</u>	<u>396,968,952.54</u>	<u>-</u>	<u>1,623,080,808.19</u>
Total	<u><u>1,226,111,855.65</u></u>	<u><u>396,968,952.54</u></u>	<u><u>-</u></u>	<u><u>1,623,080,808.19</u></u>
2016:				
Statutory surplus reserve	<u>1,030,718,136.69</u>	<u>195,393,718.96</u>	<u>-</u>	<u>1,226,111,855.65</u>
Total	<u><u>1,030,718,136.69</u></u>	<u><u>195,393,718.96</u></u>	<u><u>-</u></u>	<u><u>1,226,111,855.65</u></u>

Provisions may be made for surplus reserves as approved by the Articles of Association or the Board.

Statutory surplus reserves could be used to cover the loss of the Company or increase the share capital.

38. Retained Earnings

RMB

Item	Amount	Proportion of withdrawal or distribution
2017:		
Opening balance of retained earnings	26,095,809,439.81	
Add: Net profit attributable to owners of the Company for the current year	4,077,897,749.46	
Less: Appropriation to statutory surplus reserve	396,968,952.54	Note 1
Less: dividend payable for ordinary shares	1,522,045,155.96	Note 2
Closing balance of retained earnings	<u><u>28,254,693,080.77</u></u>	
2016:		
Opening balance of retained earnings	24,597,260,932.31	
Add: Net profit attributable to owners of the Company for the current year	3,397,183,234.32	
Less: Appropriation to statutory surplus reserve	195,393,718.96	Note 1
Less: dividend payable for ordinary shares	1,703,241,007.86	Note 2
Closing balance of retained profit	<u><u>26,095,809,439.81</u></u>	

Note 1: It was appropriation pursuant to the Articles of Association. When the accumulative statutory surplus reserve amounted to more than 50% of the registered capital of the Company, it may no longer be appropriation.

At the end of the current year and prior year, the balance of retained earnings of the Group included the withdrawn surplus reserves by the subsidiaries of RMB381,312,682.06 and RMB281,842,851.27, respectively.

Note 2: On 8 June 2017, as approved by the 2016 general meeting of the Company, and based on 3,623,917,038 issued shares, the Company paid cash dividend RMB4.2 to all shareholders per 10 shares; on 8 June 2016, as approved by the 2015 general meeting of the Company, and based on 3,623,917,038 issued shares, the Company paid cash dividend RMB4.7 to all shareholders per 10 shares.

Note 3: Pursuant to the resolution at the fifth meeting of the third session of the Board of the Company on 28 March 2018, and based on 3,938,917,038 issued shares, the Company proposed to pay cash dividend RMB3.2 to all shareholders per 10 shares. Such proposal on dividend distribution is subject to the approval at the general meeting.

39. Revenue and Costs of Sales

(1) Revenue

RMB

Item	Amount recognized in the current year		Amount recognized in the prior year	
	Revenue	Cost	Revenue	Cost
Principal business	10,822,788,477.84	3,134,520,069.54	9,361,188,557.33	2,600,330,646.43
Other business	136,724,191.93	28,673,446.84	74,893,197.96	12,436,865.24
Total	<u>10,959,512,669.77</u>	<u>3,163,193,516.38</u>	<u>9,436,081,755.29</u>	<u>2,612,767,511.67</u>

(2) Principal business (by sector)

RMB

Name of sector	Amount recognized in the current year		Amount recognized in the prior year	
	Revenue	Cost of sales	Revenue	Cost of sales
Leasing and management revenue	6,394,481,799.81	1,460,260,678.12	5,975,408,447.86	1,365,223,286.17
Revenue from the consulting and management service titled the Company's name for the early stage of project (<i>Note 1</i>)	1,587,200,094.98	186,492,653.19	1,356,229,959.64	153,780,218.80
Revenue from annual consulting and management service title the Company's name for the project (<i>Note 2</i>)	1,539,295,456.42	1,071,511,136.30	1,368,780,256.44	740,354,557.36
Revenue from commerce management and consultancy over project	140,191,047.20	10,448,737.89	11,463,018.68	16,724,099.50
Revenue from commerce consultancy and merchant commission	362,048,979.18	41,508,962.61	45,488,322.72	22,602,649.77
Revenue from sales of good and home decoration services	294,256,196.34	202,426,401.48	208,035,886.32	134,553,224.76
Others	505,314,903.91	161,871,499.95	395,782,665.67	167,092,610.07
Total	<u>10,822,788,477.84</u>	<u>3,134,520,069.54</u>	<u>9,361,188,557.33</u>	<u>2,600,330,646.43</u>

Note 1: At the end of the current year and prior year, the amounts of RMB17,924,528.30 and RMB5,188,679.25, respectively, in the revenue from the consulting and management service titled the Company's name for the early stage of project were derived from Chongqing Qifa, a related party of the Company, and investees of its subsidiaries, or from other shareholders of Chongqing Qifa and investees of its subsidiaries; and the amounts of RMB18,867,924.53 and RMB0, respectively, in the revenue from the consulting and management service titled the Company's name for the early stage of project were derived from an enterprise that is participated by employees who hold positions in the ultimate controller of the Group. At the end of the current year and prior year, the amounts of RMB178,207,547.16 and RMB127,443,396.24 in the revenue from the consulting and management service titled the Company's name for the early stage of project were derived from investees of the Company or other shareholders of investees of the Company.

Note 2: At the end of the current year and prior year, the amounts of RMB5,935,534.70 and RMB7,196,562.46 in the revenue from annual consulting and management service title the Company's name for the project were derived from Chongqing Qifa, a related party of the Company, and investees of its subsidiaries, or from other shareholders of Chongqing Qifa and investees of its subsidiaries. At the end of the current year and prior year, the amounts of RMB40,989,967.71 and RMB43,353,036.61 in the revenue from annual consulting and management service title the Company's name for the project were derived from investees of the Company or other shareholders of investees of the Company.

40. Taxes and Surcharges

RMB

Item	Amount recognized in the current year	Amount recognized in the prior year	Payment standard
Business tax	–	153,115,104.98	Please see Note (IV).1
Urban maintenance and construction tax	31,714,076.16	27,485,326.14	Please see Note (IV).1
Education surcharge	28,439,091.86	17,315,150.33	Please see Note (IV).1
Property tax	216,862,552.49	187,325,307.73	Please see Note (IV).1
Land use tax	18,723,657.58	14,680,414.47	Please see Note (IV).1
Stamp duty	10,709,183.66	5,755,845.59	Please see Note (IV).1
Others	10,880,957.30	8,245,364.18	
Total	<u>317,329,519.05</u>	<u>413,922,513.42</u>	

41. Distribution and Selling Expenses

RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Salary, bonus and benefits	40,026,018.23	36,637,366.62
Depreciation and Amortization	2,606,052.12	6,750,917.55
Energy and maintenance expenses	350,853,345.26	336,134,761.01
Advertising and promotional expenses	1,061,299,368.08	780,526,412.02
After-sales service expenses	38,555,744.07	28,763,794.86
Office and administrative expenses	9,089,128.77	5,699,182.94
Others	11,399,732.61	11,185,152.59
Total	<u>1,513,829,389.14</u>	<u>1,205,697,587.59</u>

42. General and administrative Expenses

RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Salary, bonus and allowances	827,583,962.18	463,945,827.30
Depreciation and Amortization	47,681,503.37	48,804,102.53
Energy and maintenance expenses	7,707,149.02	5,144,083.59
Audit expenses	10,859,774.08	15,647,752.31
Professional services expenses	110,001,531.53	92,155,966.30
Office and administrative expenses	288,098,672.33	248,431,575.23
Others	69,855,606.53	60,949,580.20
Total	<u>1,361,788,199.04</u>	<u>935,078,887.46</u>

43. Financial Expenses

RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Interest expenses	1,481,716,865.07	1,209,234,988.38
Less: Capitalized interest expenses	220,390,374.37	248,918,769.62
Less: Interest income	125,689,801.56	96,125,262.13
Foreign exchange differences	(22,054,553.37)	4,558,280.33
Others	18,257,907.88	8,958,653.42
Total	<u>1,131,840,043.65</u>	<u>877,707,890.38</u>

At the end of the current year and prior year, average capitalization rate of borrowings was 5.52% and 5.50% respectively.

44. Impairment Losses of Assets

RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Provision of impairment of accounts receivable	146,403,237.33	336,390,864.32
Provision of impairment of other receivables	100,339,476.76	12,426,365.42
Provision of impairment of other non-current assets	12,000,000.00	-
Provision of impairment of available-for-sale assets	24,575,000.00	122,225,202.48
Provision of impairment of intangible assets	-	100,000,000.00
Provision of impairment of loans	118,536.73	1,847,893.37
Total	<u>283,436,250.82</u>	<u>572,890,325.59</u>

45. Gains (Losses) on Changes in Fair Values

RMB

Source resulting in gains on fair value changes	Amount recognized in the current year	Amount recognized in the prior year
Investment properties measured at fair value	<u>1,996,188,694.30</u>	<u>1,754,032,308.00</u>
Total	<u><u>1,996,188,694.30</u></u>	<u><u>1,754,032,308.00</u></u>

46. Investment Income

(1) Details of investment income are as follows:

RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Long-term equity investment income		
accounting under equity method	129,258,920.85	136,217,986.32
Gain on disposal of investments in subsidiaries (Note 1)	494,732,793.04	20,803.42
Gain on disposal of investments in associates	880,397.44	–
Gain on revaluation of the fair value of the equity interest held before purchase date after consolidation of entity which is not under common control (Note 2)	–	(8,402,333.71)
Fixed income received as agreed (Note 3)	1,025,000.00	3,060,000.00
Gain on disposal of available-for-sale financial assets (Note (V).8(3).7)	<u>8,000,000.00</u>	–
Total	<u><u>633,897,111.33</u></u>	<u><u>130,896,456.03</u></u>

Note 1: In 2017, the gain on disposals of investments in subsidiaries was the investment income arising from disposals of Shanghai Jiajinsuo Financial Information Service Company (上海家金所金融信息服務有限公司), Shanghai Huangpu Red Star Microfinance Co., Ltd. (上海黃埔紅星小額貸款有限公司), Tianjin Red Star Macalline International Home Furnishings Malls Company Limited (天津紅星美凱龍國際家居廣場有限公司), Tianjin Red Star Macalline International Home Furnishings Construction Materials Company Limited (天津紅星美凱龍國際傢俱建材廣場有限公司), Beijing Hehe Juzhong Advertising Company Limited (北京和合聚眾廣告傳媒有限公司) and Changzhou Red Star Plaza Business Management Company Limited (常州紅星廣場商業管理有限公司). In 2016, the gain on disposals of investments in subsidiaries was the investment income arising from disposals of the subsidiaries, namely Wuhan Xingdian Home Decorating Company Limited, Henan Xingshidai Home Decorating Company Limited, Shanghai Jinlilong Home Decorating Design Company Limited and Chengdu Shangding Home Decorating Design Company Limited, which amounted to RMB177,152.52 in aggregate. In 2016, the investment loss arising from the loss of the Group's control over Hangzhou Global Home Furnishing, a subsidiary, after its capital increase amounted to RMB156,349.10.

Note 2: Please see Note (VI).1(2). (b).

Note 3: Pursuant to the contracts entered into between the Group and shareholders of the relevant joint ventures and other parties, during the cooperation, the Group could obtain contracted fixed revenue, and other than the contributions of the Company, the Group shared no distribution of other surplus profits and distribution of other surplus profits of joint ventures.

There are no significant restrictions in repatriation of the investment income of the Group.

47. Gains (Losses) on Asset Disposal

	<i>RMB</i>	
Source resulting in gains on asset disposal	Amount recognized in the current year	Amount recognized in the prior year
Gains (losses) on asset disposal	<u>35,964,572.41</u>	<u>(4,615,478.68)</u>

48. Other Income

(1) Details of other income are as follows:

	<i>RMB</i>	
Source resulting in other income	Amount recognized in the current year	Amount recognized in the prior year
Subsidy for land supporting expenses and subsidy for gas-fired air conditioning equipment	13,382,087.57	–
Other government grants relating to daily activities	<u>48,905,918.26</u>	–
Total	<u>62,288,005.83</u>	–

(2) Government grants included in profit and loss for the period

	<i>RMB</i>		
Item	Amount recognized in the current year	Amount recognized in the prior year	Related to assets/profit
Subsidies (<i>Note 1</i>)	17,007,742.33	–	Related to profit
Special government grants (<i>Note 2</i>)	19,661,079.89	–	Related to profit
Reward support	<u>12,237,096.04</u>	–	Related to profit
Total	<u>48,905,918.26</u>	–	

Note 1: Subsidy mainly refers to the tax refund received from the government.

Note 2: Special government grants mainly refer to industry-supporting fund received from the government.

49. Non-operating Income

(1) The breakdown of the non-operating income is set out below:

RMB

Item	Amount recognized in the current year		Amount recognized in the prior year	
	Amount	Amount included in non-recurring profit or loss for the current period	Amount	Amount included in non-recurring profit or loss for the current period
Government grants	-	-	85,929,212.07	85,929,212.07
Income from default compensation (Note 1)	77,399,032.54	77,399,032.54	2,429,157.68	2,429,157.68
Acquisition discount (Note 2)	-	-	355,659.60	355,659.60
Income from project termination	4,245,283.00	4,245,283.00	11,886,792.44	11,886,792.44
Others	30,605,913.81	30,605,913.81	18,475,215.75	18,475,215.75
Total	<u>112,250,229.35</u>	<u>112,250,229.35</u>	<u>119,076,037.54</u>	<u>119,076,037.54</u>

Note 1: In 2017, the compensation income was mainly due to the Group's receipt of compensation of RMB74,180,952.00 paid by the owner of a leased shopping mall due to its confiscation by the government.

Note 2: For details, please see Note (VI).1.

(2) Government grants included in profit and loss for the period

RMB

Item	Amount recognized in the current year	Amount recognized in the prior year	Related to assets/profit
Subsidies (Note 3)	-	32,720,869.00	Related to profit
Special government grants (Note 4)	-	30,142,489.00	Related to profit
Reward support	-	18,058,933.23	Related to profit
Amortization of deferred income (Note (V).32)	-	5,006,920.84	Related to assets
Total	<u>-</u>	<u>85,929,212.07</u>	

Note 3: Subsidy mainly refers to the tax refund received from the government.

Note 4: Special government grants mainly refer to industry-supporting fund received from the government.

50. Non-operating Expenses

RMB

Item	Amount recognized in the current year		Amount recognized in the prior year	
	Amount	Amount included in non-recurring profit or loss for the current period	Amount	Amount included in non-recurring profit or loss for the current period
External donations	10,947,206.75	10,947,206.75	5,882,682.50	5,882,682.50
Compensation expenses	16,906,543.41	16,906,543.41	80,676.30	80,676.30
Others	14,794,019.23	14,794,019.23	9,925,302.40	9,925,302.40
Total	<u>42,647,769.39</u>	<u>42,647,769.39</u>	<u>15,888,661.20</u>	<u>15,888,661.20</u>

51. Income Tax Expenses

RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Current income tax based on tax law and relevant regulations	854,268,014.04	625,729,077.36
Deferred income tax	833,967,929.68	511,207,969.42
Difference from income tax annual settlement for prior year	<u>19,786,831.51</u>	<u>(8,861,166.99)</u>
Total	<u>1,708,022,775.23</u>	<u>1,128,075,879.79</u>

Under the Law of People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the income tax rate of PRC companies is 25% except for the following subsidiaries:

Some PRC subsidiaries of the Group were approved to enjoy the preferential tax rate of 15% under the Western China Development Plan in accordance with the EIT Law and relevant regulations during the reporting period; Please refer to Note (IV) for the preferential tax and its relevant approval.

Some PRC subsidiaries of the Group enjoy the preferential tax rate of 15% in Tibet Autonomous Region. Please refer to Note (IV) for details.

Some PRC subsidiaries of the Group as new enterprises in Kashi and Khorgos of Xinjiang, two Special Economic Development Zones, were approved to enjoy exemption from enterprise income tax in accordance with the EIT Law and relevant regulations during the reporting period; Please refer to Note (IV) for the preferential tax and its relevant approval.

Reconciliation sheet for income tax expenses and accounting profit as follows:

RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Accounting profit	5,986,036,595.52	4,801,517,700.87
Income tax expenses calculated as per 25% tax rate	1,496,509,148.87	1,200,379,425.22
Tax impact of non-deductible expenses	45,022,046.02	24,948,899.31
Tax impact of intra-Group debt waived (Note 1)	(34,387,075.00)	(25,000,000.00)
Tax impact of non-taxable income	(47,562,997.57)	(35,145,522.24)
Tax impact of disposal of subsidiaries (Note 2)	509,067,005.69	-
Tax impact of unrecognized deductible loss and deductible temporary difference	282,498,418.09	85,515,579.99
Tax impact of utilisation deductible loss and deductible temporary difference previously not recognized	(4,331,532.07)	(15,288,576.59)
Impact of different tax rate in subsidiaries in other jurisdictions	(558,579,070.31)	(98,472,758.91)
Difference from income tax annual settlement for prior year	19,786,831.51	(8,861,166.99)
Total	<u>1,708,022,775.23</u>	<u>1,128,075,879.79</u>

Note 1: Pursuant to the debt forgiveness arrangement between the Company and its certain subsidiaries, the Company would waive the irrecoverable debt due from these subsidiaries, and thus reducing the Group's income tax expenses.

Note 2: Represents the tax impact arising from the amount deducted before tax (i.e. the initial investment cost of the relevant subsidiaries) when disposing of subsidiaries being less than the proportion of net assets held in such subsidiaries for the range of consolidated financial statements

52. Calculations of Basic and Diluted Earnings per Share

In calculating the basic earnings per share, net profit attributable to ordinary shareholders is shown in the table below:

RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Net profit attributable to shareholders of the parent company for the current period	4,077,897,749.46	3,397,183,234.32
Including: Net profit attributable to ongoing operations	4,077,897,749.46	3,397,183,234.32
Net profit attributable to terminated operations	-	-

Unit: share

Item	Amount recognized in the current year	Amount recognized in the prior year
Number of ordinary shares issued at the end and beginning of the year	<u>3,623,917,038</u>	<u>3,623,917,038</u>

The Group has no dilutive ordinary share.

Earnings per share

RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Calculated based on net profit attributable to shareholders of the Company:		
Basic earnings per share	1.13	0.94
Diluted earnings per share	N/A	N/A
Calculated based on ongoing operations net profit attributable to shareholders of the Company:		
Basic earnings per share	1.13	0.94
Diluted earnings per share	N/A	N/A
Calculated based on terminated operations net profit attributable to shareholders of the Company:		
Basic earnings per share	–	–
Diluted earnings per share	N/A	N/A

53. Notes to the Cash Flow Statements

(1) Other cash received in connection with operating activities

RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Deposits received	875,964,049.84	219,620,493.83
Proceeds collected and paid on behalf of others	842,954,110.27	212,076,983.32
Recovery of small loans	275,496,848.64	–
P2P investors' fund received	–	3,751,130.63
Non-operating income and government grants	161,156,147.61	113,713,457.10
Interest income	116,959,614.61	104,283,318.16
Total	2,272,530,770.97	653,445,383.04

(2) Other cash paid in connection with operating activities

RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Payment of expenses and other proceeds	1,868,095,826.99	1,260,483,160.99
Bank charges and other expenses	4,724,075.43	13,516,933.75
Non-operating expenses	42,340,125.98	14,318,217.08
Small loans extended	292,392,650.00	184,789,336.99
Reserves with central bank	205,655,403.94	–
Total	2,413,208,082.34	1,473,107,648.81

(3) Other cash received in connection with investing activities

RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Current account (<i>Note</i>)	306,869,685.79	273,116,397.36
Recovery of the entrusted loan	110,694,880.86	231,000,000.00
Government grant related to assets	10,110,000.00	6,066,072.00
Interest income from loans	8,730,186.95	8,333,731.18
Redemption of the wealth management products	374,000,000.00	429,000,000.00
Recovery of restricted cash and bank	353,533,407.10	–
Redemption of fixed bank deposits due after over 3 months	158,230,595.44	113,622,991.89
Total	<u>1,322,168,756.14</u>	<u>1,061,139,192.43</u>

Note: Mainly refer to collecting loans to associates, joint ventures and partners.

(4) Other cash paid in connection with investing activities

RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Current account (<i>Note</i>)	823,475,106.39	624,268,348.66
Granting the entrusted loan	533,385,000.00	412,000,000.00
Purchase of wealth management products	277,000,000.00	168,000,000.00
Restricted cash and bank	323,563,198.54	15,957,978.80
Fixed bank deposits due after over 3 months	94,729,041.70	165,724,864.24
Total	<u>2,052,152,346.63</u>	<u>1,385,951,191.70</u>

Note: Mainly refer to loans to associates, joint ventures and partners.

(5) Other cash received in connection with financing activities

RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Current account	6,099,043.31	10,350,000.00
Total	<u>6,099,043.31</u>	<u>10,350,000.00</u>

- (6) Other cash paid in connection with financing activities

RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Current account (Note 1)	31,446,128.92	226,374,396.92
Loan charges	13,556,050.00	–
Acquisition of non-controlling interest (Note 2)	269,899,085.21	13,450,000.00
Total	<u>314,901,264.13</u>	<u>239,824,396.92</u>

Note 1: Current accounts include loans from related parties and partners.

Note 2: For details, please see Note (VII).2.

54. Supplementary information of cash flow statements

- (1) Supplementary information of cash flow statements

RMB

Supplementary information	Amount recognized in the current year	Amount recognized in the prior year
1. Reconciliation of net profits to cash flow from operating activities:		
Net profits	4,278,013,820.29	3,673,441,821.08
Add: Gains from changes in fair value	(1,996,188,694.30)	(1,754,032,308.00)
Loss from assets devaluation	283,436,250.82	572,890,325.59
Depreciation of fixed assets	44,249,856.07	47,382,498.97
Amortization of intangible assets	25,626,846.72	24,204,633.00
Amortization of long-term prepaid expenses	64,500,472.13	55,843,929.39
Amortization of deferred income	(13,382,087.57)	(5,006,920.84)
Losses (gains) on disposal of fixed assets, intangible assets and other long-term assets	(35,964,572.41)	4,615,478.68
Purchase discount through business combination of enterprises under different control	–	(355,659.60)
Financial expense	1,221,804,465.25	951,982,487.58
Investment losses (gains)	(633,897,111.33)	(130,896,456.03)
Decrease/(Increase) in deferred tax assets	(123,974,608.73)	(233,400,821.08)
Increase/(decrease) in deferred tax liabilities	610,054,940.97	742,436,609.37
Decrease/(Increase) in inventories	(74,953,160.63)	(10,310,691.57)
Decrease/(Increase) in operating receivables	(1,209,743,569.00)	(805,356,486.22)
Increase/(decrease)in operating payables	4,078,776,080.55	850,490,316.63
Net cash flows from operating activities	6,518,358,928.83	3,983,928,756.95

RMB

Supplementary information	Amount recognized in the current year	Amount recognized in the prior year
2. Net change in cash and cash equivalents:		
Cash balance at the end of the year	10,269,293,739.45	5,892,424,707.42
Less: Cash balance at the beginning of the year	5,892,424,707.42	5,548,464,401.64
Add: Balance of cash equivalents at the end of the year	-	-
Less: Balance of cash equivalents at the beginning of the year	-	-
Net increase (decrease) in cash and cash equivalents	4,376,869,032.03	343,960,305.78

(2) Net cash paid for acquisition of subsidiaries during this year

RMB

Supplementary information	Amount recognized in the current year	Amount recognized in the prior year
Cash or cash equivalents paid for business combination during this year	744,072,700.00	787,598,402.78
Including: Jinshan Home Furnishing	500,000,000.00	-
Tenghui Logistics—equity acquisition payment	-	50,000,000.00
Tenghui Logistic—others (Note)	-	173,000,000.00
Tenghui Investment Hefei Company— equity acquisition payment	-	30,000,000.00
Tenghui Investment Hefei Company— others (Note)	-	534,598,402.78
Xining Runling Real Estate Development Co., Ltd.—equity acquisition payment	72,162,700.00	-
Xining Runling Real Estate Development Co., Ltd.—others (Note)	171,790,000.00	-
Shanghai Muye Asset Management Co., Ltd.	120,000.00	-
Less: Cash and cash equivalents held by subsidiaries on the acquisition date	3,787,025.90	4,234,881.92
Including: Jinshan Home Furnishing	3,738,509.67	-
Tenghui Logistics	-	3,375,383.27
Tenghui Investment Hefei Company	-	859,498.65
Xining Runling Real Estate Development Co., Ltd.	48,516.23	-
Net cash paid for acquisition of subsidiaries	740,285,674.10	783,363,520.86

Note: When acquiring Tenghui Logistics, Tenghui Investment Hefei Company and Xining Runling Real Estate Development Co., Ltd., the Company provided shareholder loan to the above three companies for its debt repayment and mortgage cancellation arrangements.

(3) Net cash received from (paid for) disposal of subsidiaries during this year

RMB

Supplementary information	Amount recognized in the current year	Amount recognized in the prior year
Cash or cash equivalents received from disposal of subsidiaries during this year	2,953,179,200.00	1,492,000.00
Including: Beijing Hehe Juzhong Advertising Media Co., Ltd.	700,000.00	-
Shanghai Huangpu Red Star Microfinance Co., Ltd.	201,410,000.00	-
Tianjin Red Star Macalline International Home Furnishings Malls Company Limited	2,650,000,000.00	-
Tianjin Red Star Macalline International Home Furnishings Construction Materials Company Limited	-	-
Xingdian Home Decorating	-	96,000.00
Xingshidai Home Decorating Design	-	150,000.00
Jinlilong Home Decorating	-	926,000.00
Chengdu Shangding	-	320,000.00
Shanghai Jiajinsuo Financial Information Services Company Limited	96,069,200.00	-
Yantai Red Star International Home Furnishings Management Company Limited	5,000,000.00	-
Less: Cash and cash equivalents held by subsidiaries on the date of the loss of control	172,059,603.77	4,909,768.61
Including: Beijing Hehe Juzhong Advertising Media Co., Ltd.	247,202.60	-
Changzhou Red Star Malls Business Management Co., Ltd.	20,315,127.10	-
Shanghai Huangpu Red Star Microfinance Co., Ltd.	4,856,575.63	-
Tianjin Red Star Macalline International Home Furnishings Malls Company Limited	48,929,768.55	-
Tianjin Red Star Macalline International Home Furnishings Construction Materials Company Limited	14,968,860.41	-
Xingdian Home Decorating	-	954,561.30
Xingshidai Home Decorating Design	-	928,081.00
Jinlilong Home Decorating	-	1,851,840.62
Chengdu Shangding	-	1,175,285.69
Shanghai Jiajinsuo Financial Information Services Company Limited	82,531,407.09	-
Yantai Red Star International Home Furnishings Management Company Limited	210,662.39	-
Net cash received from (paid for) disposal of subsidiaries	<u>2,781,119,596.23</u>	<u>(3,417,768.61)</u>

(4) Components of cash and cash equivalents

RMB

Item	31 December 2017	31 December 2016
I. Cash	10,269,293,739.45	5,892,424,707.42
Including: Cash in hand	47,859,870.87	45,828,781.83
Bank deposits readily to be withdrawn on demand	10,221,433,868.58	5,846,595,925.59
	–	–
II. Cash equivalents		
III. Cash and cash equivalent balance at the end of the year	10,269,293,739.45	5,892,424,707.42

Cash and cash equivalents do not include limited cash and cash equivalents used by the Company and its subsidiaries, and fixed deposits due over three months.

55. Assets with Restricted Ownership or Use Right

RMB

Item	Closing balance	Opening balance	Reasons for limitation
Monetary funds	32,262,664.29	70,460,665.31	Used for loan pledge
Monetary funds	–	6,254,877.90	Investors' investment funds managed by banks
Monetary funds	16,032,670.36	–	Engineering deposit
Monetary funds	9,450,000.00	9,000,000.00	Court freezing
Monetary funds	–	2,000,000.00	Used for capital injection of the Company
Monetary funds	205,655,403.94	–	Reserves deposited in the Central Bank
Investment real estate	54,025,000,000.00	47,466,000,000.00	Mortgage loan
Long-term equity investment (Note)	–	128,895,326.08	Used for pledge for related parties
Total	54,288,400,738.59	48,127,610,869.29	

Note: The equity at the beginning of the year of associated companies of RMB128,895,326.08 was pledged to guarantee the loans of related parties. Please see note (V).10.3 for details.

By the end of this year, all revenues from Shanghai Zhenbei Shopping Mall, Jinan Red Star Shopping Mall, Zhengzhou Red Star Shopping Mall, Chengdu Changyi Shopping Mall, Shanghai Jinqiao Shopping Mall, Harbin International Home Shopping Mall, Shanghai Xinglong Shopping Mall, Tianjin Hedong Shopping Mall, Yumu Enterprise Management, Yuxu Enterprise Management, Yuzhu Enterprise Management, Yuxiao Enterprise Management, Beijing West Fourth Ring Mall and Beijing East Fourth Ring Mall during relevant loan periods were used for loan pledge.

56. Monetary items denominated in foreign currency:

RMB

Item	Closing balance			Opening balance		
	Foreign currency amount	Exchange rate	RMB amount	Foreign currency amount	Exchange rate	RMB amount
Monetary funds:						
USD	37,632,036.13	6.5342	245,895,250.48	14,963.34	6.4758	96,899.54
HKD	120,764.37	0.8359	100,948.14	125,454.11	0.8937	112,113.08
Total	-	-	245,996,198.62	-	-	209,012.62

(VI) CHANGES IN CONSOLIDATION SCOPE

1. Subsidiaries acquired through business combination of enterprises under different control

(1) In the year of 2017

(a) Subsidiaries acquired through business combination of enterprises under different control during this period

RMB

Name of the acquirees	Date of acquisition	Cost on equity acquisition	Percentage of equity acquisition (%)	Acquisition method	Date of acquisition	Determination basis for the acquisition date	Income of the acquiree from the acquisition date to the end of the year	Net profit of the acquiree from the acquisition date to the end of the year
Shanghai Muye Asset Management Co., Ltd.	30 June 2017	120,000.00	100.00%	Cash	30 June 2017	Combination date was the date when the Company obtained the control right	-	(97,500.00)

(b) Combination cost and goodwill

RMB

	Shanghai Muye Asset Management Co., Ltd.
Combination cost	
Cash	120,000.00
Fair value of equity held before acquisition date on the acquisition date	-
Total combination cost	120,000.00
Less: Fair value shares of net identifiable assets obtained	120,000.00
Goodwill	-
Amount of combination cost less than fair value share of net identifiable assets obtained	-

(c) *Identifiable assets and liabilities of acquiree on acquisition date:*

RMB

	Assets of Muye	
	Fair value on acquisition date	Book value on acquisition date
Assets:		
Other receivables	138,500.00	138,500.00
Liabilities:		
Other payables	18,500.00	18,500.00
Net assets	120,000.00	120,000.00
Less: Minority shareholders' equity	–	–
Net assets obtained	<u>120,000.00</u>	<u>120,000.00</u>

According to the management of the Company, there is no significant difference between the fair value and the book value of the above identifiable net assets and liabilities

(2) In the year of 2016

(a) *Subsidiaries acquired through business combination of enterprises under different control during this period*

RMB

Name of the acquirees	Date of acquisition	Cost on equity acquisition	Percentage of equity acquisition (%)	Acquisition method	Date of acquisition	Determination basis for the acquisition date	Income of the acquiree from the acquisition date to the end of the year	Net profit of the acquiree from the acquisition date to the end of the year
Anhui Tenghui Logistics Company Limited (Note 1)	20 June 2016	50,000,000.00	100.00%	Cash acquisition	20 June 2016	Combination date was the date when the Company obtained the control right	2,640,200.17	(3,696,430.17)
Anhui Tenghui Investment Group Hefei Company Limited (Note 2)	31 December 2016	30,000,000.00	95.00%	Cash acquisition	31 December 2016	Combination date was the date when the Company obtained the control right	–	–

Note 1: On 20 June 2016, the Group acquired 100.00% equity interest of Anhui Tenghui Logistics Company Limited (“Tenghui Logistics”) from Anhui Tenghui Investment Group Company Limited (“Anhui Tenghui”) with cash of RMB50,000,000.00. Through the acquisition, the Group has obtained the control right over Tenghui Logistics and has included it in the consolidation scope of the Group.

Note 2: On 31 December 2016, the Group acquired 95.00% equity interest of Anhui Tenghui Investment Group Hefei Company Limited (“Tenghui Investment Hefei Company”) from Anhui Tenghui with cash of RMB30,000,000.00. The Group originally held 5% equity interest of Tenghui Investment Hefei Company with the cost of RMB10,000,000.00. After the completion of the acquisition, the Group holds 100% equity interest of Tenghui Investment Hefei Company and has obtained the control right over the company and has included it in the consolidation scope of the Group.

(b) *Combination cost and goodwill*

RMB

	Anhui Tenghui Logistics Company Limited	Anhui Tenghui Investment Group Hefei Company Limited
Combination cost		
Cash	50,000,000.00	30,000,000.00
Fair value of equity held before acquisition date on the acquisition date	—	1,597,666.29
Total combination cost	<u>50,000,000.00</u>	<u>31,597,666.29</u>
Less: Fair value shares of net identifiable assets obtained	50,000,000.00	31,953,325.89
Goodwill	—	—
Amount of combination cost less than fair value share of net identifiable assets obtained (<i>Note</i>)	<u>—</u>	<u>355,659.60</u>

Note: The balance between the 5% equity with the cost of RMB10,000,000.00 held by the Group and the fair value share of the identifiable net assets on the acquisition date of RMB1,597,666.29 was RMB8,402,333.71, which was recognized as investment loss. Please refer to note V.46.1.(2) for details. The balance between the equity consideration of the Group's 95% equity acquisition and the fair value share of the identifiable net assets on the acquisition date was recognized as non-operating income of RMB355,659.60. Please refer to note V.49.1(2) for details.

(c) *Identifiable assets and liabilities of acquiree on acquisition date*

RMB

	Anhui Tenghui Logistics Company Limited		Anhui Tenghui Investment Group Hefei Company Limited	
	Fair value on acquisition date	Book value on acquisition date	Fair value on acquisition date	Book value on acquisition date
Assets:				
Monetary capital	3,375,383.27	3,375,383.27	859,498.65	859,498.65
Other receivables	15,026,570.20	15,026,570.20	5,284,147.37	5,284,147.37
Investment real estate	242,451,629.90	238,500,000.00	587,000,000.00	587,000,000.00
Fixed assets	61,434.44	61,434.44	36,357.37	36,357.37
Other assets	31,450.00	31,450.00	317,621.40	317,621.40
Liabilities:				
Account payable	32,628,948.07	32,628,948.07	13,262,969.91	13,262,969.91
Other payables	173,843,964.16	173,843,964.16	544,780,242.26	544,780,242.26
Deferred income tax liabilities	2,408,285.28	2,408,285.28	3,494,758.23	3,494,758.23
Other liabilities	2,065,270.30	2,065,270.30	6,328.50	6,328.50
Net assets	50,000,000.00	46,048,370.10	31,953,325.89	31,953,325.89
Less: Minority stockholder's interest	—	—	—	—
Net assets obtained	<u>50,000,000.00</u>	<u>46,048,370.10</u>	<u>31,953,325.89</u>	<u>31,953,325.89</u>

The fair value of the above-mentioned identifiable net assets and liabilities was assessed by a third-party independent evaluation institution.

2. Assets acquisition

(1) In the year of 2017

RMB

Name of the acquired assets	Date of acquisition	Cost on equity acquisition	Percentage of equity acquisition (%)	Acquisition method	Date of acquisition	Determination basis for the acquisition date
Xining Runling Real Estate Development Co., Ltd. ("Xining Runling")	20 February 2017	72,162,700.00	100.00%	Cash	20 February 2017	The date when acquiree's asset control right is transferred to acquirer
Shanghai Jinshan Red Star Macalline Global Home Furnishing Company Limited ("Jinshan Home Furnishing")	27 October 2017	520,000,000.00	100.00%	Cash	27 October 2017	The date when acquiree's asset control right is transferred to acquirer

In February 2017, the Group acquired Xining Runling from third-party Minmetals Real Estate Hunan Development Co., Ltd. (五礦地產湖南開發有限公司). Xining Runling owned a plot of land that can be used for the development of home shopping mall. According to the Company's management, the above did not constitute business acquisition and thereby recognized it as asset acquisition. After the acquisition, Xining Runling was renamed as Xining Red Star Macalline Shibo Home Furnishing Plaza Company Limited (西寧紅星美凱龍世博家居廣場有限公司).

In October 2017, the Group acquired Jinshan Home Furnishing from Shanghai Red Star Macalline Real Estate Co., Ltd. Jinshan Home Furnishing owned a home shopping mall property. According to the Company's management, the above did not constitute business acquisition and thereby recognized as asset acquisition.

(a) Book value of assets and liabilities of acquiree on acquisition date

RMB

	Xining Runling	
	Fair value on acquisition date	Book value on acquisition date
Assets:		
Monetary capital	48,516.23	48,516.23
Investment real estate	250,719,588.62	183,164,491.36
Liabilities:		
Tax payable	55,404.85	55,404.85
Other payables	178,550,000.00	178,550,000.00
Net assets	72,162,700.00	4,607,602.74
Less: Minority stockholder's interest	—	—
Net assets obtained	<u>72,162,700.00</u>	<u>—</u>

RMB

	Jinshan Home Furnishing	
	Fair value on acquisition date	Book value on acquisition date
Assets:		
Monetary capital	3,738,509.67	3,738,509.67
Investment real estate	516,261,490.33	522,049,866.15
Net assets	520,000,000.00	525,788,375.82
Less: Minority stockholder's interest	—	—
Net assets obtained	<u>520,000,000.00</u>	<u>525,788,375.82</u>

3. Disposals of subsidiaries

(1) In the year of 2017

RMB

Name of subsidiary	Amount of disposal for equity	Ratio of disposal for equity	Mode of disposal for equity	Time of control ceases	Basis for determining the time of control ceases	Differences arising from between disposal amount and proportion of net assets held by disposal investment for the range of consolidated financial statements	Ratio of the remaining equity at the date of ceased control	Book value of the remaining equity at the date of ceased control	Fair value of the remaining equity at the date of ceased control	Gain or loss arising from the remaining equity re-measured at fair value	Recognition and key assumptions for fair value of the remaining equity at the date of ceased control
Shanghai Jiajinsuo Financial Information Services Company Limited (Note 1)	96,069,200.00	100.00%	Transfer of shares	19 May 2017	Based on the date of losing decision-making right for the operation of Shanghai Jiajinsuo Financial Information Service Co., Ltd.	2,866,278.24	-	-	-	-	N/A
Yantai Red Star International Home Furnishings Management Company Limited ("Yantai International") (Note 2)	5,000,000.00	100.00%	Transfer of shares	17 April 2017	Based on the date of losing decision-making right for the operation of Yantai Red Star International Home Furnishings Management Company Limited	1,693,582.95	-	-	-	-	N/A
Beijing Hehe Juzhong Advertising Media Co., Ltd. ("Hehe Juzhong")	700,000.00	100.00%	Transfer of shares	30 November 2017	Based on the date of losing decision-making right for the operation of Beijing Hehe Juzhong Advertising Media Co., Ltd.	7,299,366.64	-	-	-	-	N/A

RMB

Name of subsidiary	Amount of disposal for equity	Ratio of disposal for equity	Mode of disposal for equity	Time of control ceases	Basis for determining the time of control ceases	Differences arising from between disposal amount and proportion of net assets held by disposal investment for the range of consolidated financial statements	Ratio of the remaining equity at the date of ceased control	Book value of the remaining equity at the date of ceased control	Fair value of the remaining equity at the date of ceased control	Gain or loss arising from the remaining equity re-measured at fair value	Recognition and key assumptions for fair value of the remaining equity at the date of ceased control
Shanghai Huangpu Red Star Microfinance Co., Ltd. (Note 3)	201,410,000.00	100.00%	Transfer of shares	19 September 2017	Based on the date of losing decision-making right for the operation of Shanghai Huangpu Red Star Microfinance Co., Ltd.	857,236.58	-	-	-	-	N/A
Tianjin Red Star Macalline International Home Furnishings Malls Company Limited ("Tianjin Home Furnishings") (Note 4)		100.00%	Transfer of shares	10 July 2017	Based on the date of losing decision-making right for the operation of Tianjin Red Star Macalline International Home Furnishings Malls Company Limited	-	-	-	-	-	N/A
Tianjin Red Star Macalline International Home Furnishings Construction Materials Company Limited ("Tianjin Hongqiao") (Note 4)	2,650,000,000.00	100.00%	Transfer of shares	10 July 2017	Based on the date of losing decision-making right for the operation of Tianjin Red Star Macalline International Home Furnishings Construction Materials Company Limited	Note 4	-	-	-	-	N/A
Changzhou Red Star Malls Business Management Co., Ltd.	372,910,000.00	100.00%	Transfer of shares	31 December 2017	Based on the date of losing decision-making right for the operation of Changzhou Red Star Malls Business Management Co., Ltd.	12,910,000.00	-	-	-	-	N/A

Note 1: The Group transferred all the shares in subsidiaries to RSM Holding.

Note 2: The Group transferred all the shares of Yantai International to third parties.

Note 3: In August 2017, the Group signed equity transfer agreement with RSM Holding, Fuzhou Red Star Commercial Management Company Limited and Kunming Red Star Commercial Management Company Limited and agreed to transfer 100% shares of Shanghai Huangpu Red Star Microfinance Co., Ltd. to RSM Holding, Fuzhou Red Star Commercial Management Company Limited and Kunming Red Star Commercial Management Company Limited.

Note 4: In May 2017, the Company make an agreement to sell its two wholly-owned subsidiaries Tianjin Red Star Macalline International Home Furnishings Construction Materials Company Limited ("Tianjin Construction Materials") and Tianjin Red Star Macalline International Home Furnishings Malls Company Limited ("Tianjin Home Furnishing") to the trust fund managed by Tianjin Changhe Shareholding Investment Fund Management Company Limited. The disposal consideration was Zhengzhou Juankai Enterprise Management Consultation Company Limited ("Zhengzhou Juankai") and the disposal was completed on 10 July 2017.

After obtaining approval from relevant regulatory authorities in China, the fund used the malls held by Tianjin Building Materials and Tianjin Home Furnishings as the basic assets and launched the Quasi-REITS Programme and completes the issuance on 12 September 2017. The issuance size was RMB2.65 billion, including RMB1.8 billion of priority asset-backed securities and RMB0.85 billion of subordinated asset-backed securities. The subordinated asset-backed securities of RMB0.85 billion was all subscribed by Macalline Gaohe (Wuhu) Home Furnishing Commercial Property Investment Fund Partnership (Limited Partnership), which was a limited partnership enterprise established by the Company with the investment of RMB400 million and Tianjin Gaohe Equity Investment Fund Management Co., Ltd. (天津高和股權投資基金管理有限公司). After the completion of the issuance of the Quasi-REITS Programme, Zhengzhou Juankai received a full sum of RMB2.645 billion of fund receivables.

As at the date of disposal, the balance of the net assets of Zhengzhou Juankai at the date of disposal exceeding the net assets of Tianjin Building Materials and Tianjin Home Furnishings was RMB869,106,328.63. In the consolidated financial statements, the Company's confirmed net investment income for the disposal of Tianjin Building Materials and Tianjin Home Furnishings amounted to RMB469,106,328.63.

(2) In the year of 2016

RMB

Name of subsidiary	Amount of disposal for equity	Ratio of disposal for equity	Mode of disposal for equity	Time of control ceases	Basis for determining the time of control ceases	Differences arising from between disposal amount and proportion of net assets held by disposal investment for the range of consolidated financial statements	Ratio of the remaining equity at the date of ceased control	Book value of the remaining equity at the date of ceased control	Fair value of the remaining equity at the date of ceased control	Gain or loss arising from the remaining equity re-measured at fair value	Recognition and key assumptions for fair value of the remaining equity at the date of ceased control
Wuhan Xingdian Home Decorating Company Limited (Note 1)	96,000.00	60.00%	Transfer of shares	6 January 2016	Based on the date of losing decision-making right for the production and operation of Wuhan Xingdian Home Decorating Company Limited	(70,657.32)	-	-	-	-	N/A
Henan Xingshidai Home Decorating Company Limited (Note 1)	150,000.00	60.00%	Transfer of shares	18 January 2016	Based on the date of losing decision-making right for the production and operation of Henan Xingshidai Home Decorating Company Limited	(376,412.98)	-	-	-	-	N/A
Shanghai Jinlilong Home Decorating Design Company Limited (Note 1)	926,000.00	80.00%	Transfer of shares	28 January 2016	Based on the date of losing decision-making right for the production and operation of Shanghai Jinlilong Home Decorating Design Company Limited	414,362.69	-	-	-	-	N/A
Chengdu Shangding Home Decorating Design Company Limited (Note 1)	320,000.00	70.00%	Transfer of shares	26 January 2016	Based on the date of losing decision-making right for the production and operation of Chengdu Shangding Home Decorating Design Company Limited	209,860.13	-	-	-	-	N/A
Hangzhou Red Star Macalline Global Home Living Company Limited (Note 2)	-	81.00%	Losing control right after investment increase	21 September 2016	Based on the date of losing decision-making right for the production and operation of Hangzhou Red Star Macalline Global Home Living Company Limited	(156,349.10)	19%	19,156,349.10	19,000,000.00	(156,349.10)	Determined based on net realizable value

Note 1: The Group transferred all the shares in subsidiaries to third parties.

Note 2: In 2016, the investment increased by the shareholders of Hangzhou Red Star Macalline Global Home Living Company Limited amounted to RMB95,000,000.00, of which, the Group subscribed an additional RMB14,000,000.00. After the investment increase, the Group's total investment was RMB19,000,000.00, accounting for 19% of the total registered capital. As the Group still has a significant impact on the company, the accounting on the company is conducted as an associate company of the Group.

4. Other reasons for consolidated scope changes

(1) In the year of 2017

Company Abbreviation	Company name	Main business site	Place of incorporation	Nature of business	Shareholding ratio Direct	Shareholding ratio Indirect	Reasons for change
Newly-incorporated and be included in consolidation scope subsidiaries:							
Xinjiang Macalline Enterprise Management	Red Star Macalline Enterprise Management Consulting Co., Ltd	Xinjiang Autonomous Region	Xinjiang Autonomous Region	Enterprise management and consultancy	100%	-	Newly-established company
Xinjiang Red Star Ogioria	Red Star Ogioria Enterprise Management Company Limited	Xinjiang Autonomous Region	Xinjiang Autonomous Region	Enterprise management and consultancy	-	100%	Newly-established company
Khorgos Xingyijia	Khorgos Red Star Macalline Business Management Company Limited	Xinjiang Autonomous Region	Xinjiang Autonomous Region	Enterprise management and consultancy	-	100%	Newly-established company
Shaanxi Macalline Logistics	Shaanxi Red Star Macalline Logistics Company Limited	Shaanxi	Shaanxi	Warehouse Logistics	-	100%	Newly-established company
Fanju Network Technology	Shanghai Fanju Network Technology Company Limited	Shanghai	Shanghai	Network technology	-	61%	Newly-established company
Labor Dispatch Company	Shanghai Red Star Macalline Labor Dispatch Company Limited	Shanghai	Shanghai	Labour despatching	100%	-	Newly-established company
Jiajinsuo Financial Technology	Shanghai Jiajinsuo Financial Technology Information Services Company Limited	Shanghai	Shanghai	Investment management	-	70%	Newly-established company
Yantai Xinhuan	Yantai Xinhuan Enterprise Management Company Limited	Shandong	Shandong	Enterprise management and consultancy	-	100%	Newly-established company
Chongqing Macalline Logistics	Chongqing Red Star Macalline Logistics Company Limited	Chongqing	Chongqing	Warehouse Logistics	-	100%	Newly-established company
Macalline International Trade	Shanghai Red Star Macalline International Trading Company Limited	Shanghai	Shanghai	Import and export	55%	-	Newly-established company
Tianjin Macalline Logistics	Tianjin Red Star Macalline Logistics Co., Ltd.	Tianjin	Tianjin	Warehouse Logistics	-	60%	Newly-established company
Jiajin Investment Holdings	Shanghai Jiajin Investment Holdings Co., Ltd.	Shanghai	Shanghai	Investment management	70%	-	Newly-established company
Red Star Finance Company	Red Star Macalline Home Furnishing Group Finance Company Limited	Shanghai	Shanghai	Loan business	90%	10%	Newly-established company
Shanghai Longzhihui	Longzhihui (Shanghai) Facility Management Services Co., Ltd.	Shanghai	Shanghai	Enterprise management and consultancy	-	50%	Newly-established company
Guizhou Macalline Logistics	Guizhou Red Star Macalline Logistics Co., Ltd.	Guizhou	Guizhou	Warehouse Logistics	-	100%	Newly-established company
Red Star Equipment Leasing Company	Shanghai Red Star Macalline Equipment Leasing Company Limited	Shanghai	Shanghai	Equipment leasing	-	100%	Newly-established company

Company Abbreviation	Company name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Reasons for change
					Direct	Indirect	
Red Star Home Furnishing Trading	Shanghai Red Star Macalline Home Furnishing Trading Company Limited	Shanghai	Shanghai	Import and export	51%	-	Newly-established company
Betterhome Decoration	Shanghai Betterhome Decoration Company Limited	Shanghai	Shanghai	Construction decoration	-	50%	Newly-established company
Kunming Shibo Home Furnishing	Kunming Red Star Macalline Shibo Home Furnishing Plaza Company Limited	Yunnan	Yunnan	Site leasing management	-	87%	Newly-established company
Chongqing Tea Garden	Chongqing Red Star Macalline Shibo Home Furnishing Plaza Company Limited	Chongqing	Chongqing	Site leasing management	100%	-	Newly-established company
Changzhou Business Management	Changzhou Red Star Malls Business Management Co., Ltd.	Jiangsu	Jiangsu	gement	80%	-	Newly-established company
Be cancelled and no longer included in consolidation scope subsidiaries:							
Shanghai Yongdian	Shanghai Yongdian Home Decorating Design Company Limited	Shanghai	Shanghai	Home decoration design	-	100%	Cancelled
Changsha Yali	Changsha Yali Home Decorating Design Company Limited	Changsha	Changsha	Home decoration design	-	70%	Cancelled
Subsidiaries that are no longer included in consolidation scope due to capital increase from other investors							
None							

(VII) INTERESTS IN OTHER ENTITIES

1. Interests in Subsidiaries

(1) Constitution of subsidiaries

(a) 2017:

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Acquisition method
					Direct	Indirect	
Changzhou Macalline	Changzhou Macalline International Computer and Electronics Furnishing Plaza Co., Ltd.	Jiangsu	Jiangsu	Site leasing management	100%	-	Business combinations under common control
Changzhou Worldwide	Changzhou Worldwide Home Furnishing Plaza Company Limited	Jiangsu	Jiangsu	Site leasing management	100%	-	Business combinations under common control
Wuxi Red Star	Wuxi Red Star International Home Furnishing Company Limited	Jiangsu	Jiangsu	Site leasing management	90%	10%	Business combinations under common control
Lianyungang Red Star	Lianyungang Red Star International Home Furnishing Plaza Company Limited	Jiangsu	Jiangsu	Site leasing management	60%	40%	Business combinations under common control
Nanjing Furnishing Mall	Nanjing Red Star International Home Furnishing Mall Company Limited	Jiangsu	Jiangsu	Site leasing management	100%	-	Business combinations under common control

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Acquisition method
					Direct	Indirect	
Nanjing Mingdu	Nanjing Mingdu Home Furnishing Plaza Company Limited	Jiangsu	Jiangsu	Site leasing management	60%	40%	Business combinations under common control
Shanghai Decorative Mall	Shanghai Red Star Macalline Decorative Furniture Mall Co., Ltd	Shanghai	Shanghai	Site leasing management	89%	5%	Business combinations under common control
Shanghai Global Home Furnishing	Shanghai Red Star Macalline Global Home Furnishing Company Limited	Shanghai	Shanghai	Site leasing management	100%	–	Business combinations under common control
Shanghai Shanhai Art Furniture	Shanghai Shanhai Art Furniture Company Limited	Shanghai	Shanghai	Site leasing management	–	100%	Business combinations under common control
Hongxin Oukai (Note 5)	Shanghai Hongxin Oukai Home Furnishing Company Limited	Shanghai	Shanghai	Site leasing management	50%	–	Business combinations not under common control
Xinwei Property	Shanghai Xinwei Property Company Limited	Shanghai	Shanghai	Site leasing management	40%	56%	Business combinations not under common control
Shanghai Management	Shanghai Red Star Macalline Home Furnishing Market Management Company Limited	Shanghai	Shanghai	Market company	90%	–	Business combinations under common control
Changsha Furniture	Changsha Red Star Macalline Home Furnishing Plaza Company Limited	Hunan	Hunan	Site leasing management	100%	–	Acquisition by the company through establishment or investment
Changsha Home Furnishing Expo	Changsha Red Star Macalline International Home Furnishing Art Expo Company Limited	Hunan	Hunan	Site leasing management	100%	–	Business combinations under common control
Jinan Red Star (Note 4)	Jinan Red Star Macalline Shibo Home Living Plaza Company Limited	Shandong	Shandong	Site leasing management	70%	–	Business combinations under common control
Chengdu Red Star	Chengdu Red Star Macalline Shibo Home Living Plaza Company Limited	Sichuan	Sichuan	Site leasing management	100%	–	Business combinations under common control
Zhengzhou Red Star	Zhengzhou Red Star Macalline International Home Furnishing Company Limited	Henan	Henan	Site leasing management, Real Estate Development	51%	9.3%	Business combinations under common control
Changzhou Market	Changzhou Red Star Macalline Home Furnishing and Decorating Market Company Limited	Jiangsu	Jiangsu	Market company	–	100%	Business combinations under common control
Shanghai Decorating Market	Shanghai Red Star Macalline Home Furnishing and Decorating Market Management Company Limited	Shanghai	Shanghai	Market company	45%	51.7%	Business combinations under common control
Shanghai Advertising	Shanghai Red Star Macalline Advertising Company Limited	Shanghai	Shanghai	Advertising companies	–	100%	Business combinations under common control
Zhengzhou Management	Zhengzhou Red Star Macalline Global Home Living Plaza Management Company Limited	Henan	Henan	Market company	51%	–	Business combinations not under common control
Shanghai Global Home Furnishing	Shanghai Red Star Macalline Global Home Furnishing Design Expo Company Limited	Shanghai	Shanghai	Site leasing management	–	94%	Acquisition by the company through establishment or investment
Hangzhou Shibo Furniture	Hangzhou Red Star Macalline Shibo Furniture Plaza Company Limited	Zhejiang	Zhejiang	Site leasing management	100%	–	Acquisition by the company through establishment or investment

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Acquisition method
					Direct	Indirect	
Chengdu Changyi (Note 4, 5)	Chengdu Changyi Red Star Macalline Home Living Market Management Company Limited	Sichuan	Sichuan	Site leasing management	-	50%	Business combinations not under common control
Red Star Macalline Brand Management	Shanghai Red Star Macalline Brand Management Company Limited	Shanghai	Shanghai	Brand management	100%	-	Acquisition by the company through establishment or investment
Chongqing Global Home Furnishing	Chongqing Red Star Macalline Global Home Furnishing Plaza Company Limited	Chongqing	Chongqing	Site leasing management	100%	-	Acquisition by the company through establishment or investment
Chongqing Shibo Home Furnishing	Chongqing Red Star Macalline Global Home Furnishings Plaza Co., Ltd.	Chongqing	Chongqing	Site leasing management	100%	-	Business combinations under common control
Wuhan Red Star	Wuhan Red Star Macalline Shibo Home Living Plaza Company Limited	Hubei	Hubei	Site leasing management	100%	-	Acquisition by the company through establishment or investment
Beijing Xingkai Jingzhou	Beijing Xingkai Jingzhou Furniture Plaza Company Limited	Beijing	Beijing	Site leasing management	-	51%	Acquisition by the company through establishment or investment
Shanghai Home Furnishing Expo	Shanghai Red Star Macalline Home Furnishing Design Expo Company Limited	Shanghai	Shanghai	Site leasing management	100%	-	Acquisition by the company through establishment or investment
Shanghai Dingsheng	Shanghai Dingsheng Construction Management and Design Company Limited	Shanghai	Shanghai	Engineering design	-	100%	Business combinations not under common control
Shanghai Global Market	Shanghai Red Star Macalline Global Home Furnishing Market Management Company Limited	Shanghai	Shanghai	Market company	-	99.4%	Acquisition by the company through establishment or investment
Yantai Red Star	Yantai Red Star Macalline Home Furnishing Company Limited	Shandong	Shandong	Site leasing management	100%	-	Acquisition by the company through establishment or investment
Shenyang Mingdu	Shenyang Mingdu Home Furnishing Plaza Company Limited	Liaoning	Liaoning	Site leasing management	60%	-	Acquisition by the company through establishment or investment
Beijing Europe and America Business (Note 4)	Beijing Century Europe and America Business Investment Company Limited	Beijing	Beijing	Site leasing management	-	80%	Acquisition by the company through establishment or investment
Chongqing Expo Home Furnishing	Chongqing Red Star Macalline Expo Home Furnishing Plaza Company Limited	Chongqing	Chongqing	Site leasing management	100%	-	Acquisition by the company through establishment or investment
Changsha Yinhong	Changsha Yinhong Home Furnishing Company Limited	Hunan	Hunan	Site leasing management	100%	-	Acquisition by the company through establishment or investment
Shanghai Jingdu	Shanghai Jingdu Investment Company Limited	Shanghai	Shanghai	Investment management	51%	-	Acquisition by the company through establishment or investment
Tianjin Home Furnishings Plaza	Tianjin Red Star Macalline Home Furnishings Plaza Co., Ltd	Tianjin	Tianjin	Site leasing management	100%	-	Acquisition by the company through establishment or investment
Panjin Red Star (Note 1)	Panjin Red Star Macalline Global Home Furnishings Plaza Co., Ltd.	Liaoning	Liaoning	Site leasing management	100%	-	Acquisition by the company through establishment or investment
Red Star Consulting	Shanghai Red Star Macalline Business Consulting Company Limited	Shanghai	Shanghai	Investment management	65%	-	Acquisition by the company through establishment or investment

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Acquisition method
					Direct	Indirect	
Shenyang Home Furnishing	Shenyang Red Star Macalline Home Furnishing Company Limited	Liaoning	Liaoning	Site leasing management	100%	-	Acquisition by the company through establishment or investment
Xingkai Chengpeng	Shanghai Xingkai Chengpeng Business Management Company Limited	Shanghai	Shanghai	Investment management	100%	-	Business combinations under common control
Hongmei E-Commerce	Shanghai Hongmei E-Commerce Company Limited	Shanghai	Shanghai	E-commerce	-	100%	Business combinations under common control
Changzhou Hongyang (Note 4)	Changzhou Hongyang Home Furnishing Plaza Company Limited	Jiangsu	Jiangsu	Site leasing management	-	51%	Business combinations under common control
Red Star Trading	Shanghai Red Star Macalline Trading Company Limited	Shanghai	Shanghai	Investment management	100%	-	Acquisition by the company through establishment or investment
Harbin Red Star	Harbin Red Star Macalline Shibo Furniture Plaza Company Limited	黑龍江省	黑龍江省	Site leasing management	100%	-	Acquisition by the company through establishment or investment
Xingjia Building Materials	Shanghai Xingjia Decoration and Building Materials Company Limited	Shanghai	Shanghai	Construction material markets	-	100%	Acquisition by the company through establishment or investment
Chongqing Zhongkun	Chongqing Red Star Macalline Zhongkun Home Living Plaza Company Limited*	Chongqing	Chongqing	Site leasing management	55%	-	Acquisition by the company through establishment or investment
Zhongshan Shibo	Zhongshan Red Star Macalline Shibo Furniture Plaza Company Limited	Guangdong	Guangdong	Site leasing management	100%	-	Acquisition by the company through establishment or investment
Shenyang Dadong	Shenyang Dadong Red Star Macalline Home Furnishing Company Limited	Liaoning	Liaoning	Site leasing management	100%	-	Acquisition by the company through establishment or investment
Wuxi Home Furnishing	Wuxi Red Star Macalline Home Furnishing Plaza Company Limited	Jiangsu	Jiangsu	Site leasing management	100%	-	Business combinations not under common control
Xi'an Home Furnishing	Xi'an Red Star Macalline Home Furnishing Plaza Company	Shaanxi	Shaanxi	Site leasing management	75%	-	Acquisition by the company through establishment or investment
Daqing Shibo Furniture	Daqing Red Star Macalline Shibo Furniture Company Limited	Heilongjiang	Heilongjiang	Site leasing management	70%	-	Acquisition by the company through establishment or investment
Langfang Kaihong Home Living	Langfang Kaihong Home Living Plaza Company Limited	Hebei	Hebei	Site leasing management	70%	-	Business combinations not under common control
Changzhou Jiapindao	Changzhou Jiapindao Home Furnishing and Decorating Company Limited	Jiangsu	Jiangsu	Independent sale	-	100%	Acquisition by the company through establishment or investment
Beijing Furnishing Market	Beijing Red Star Macalline Furnishing Market Company Limited	Beijing	Beijing	Brand management	-	100%	Acquisition by the company through establishment or investment
Wuhan Global Home Furnishing	Wuhan Red Star Macalline Global Home Furnishing Plaza Development Company Limited	Hubei	Hubei	Commodity rental	100%	-	Acquisition by the company through establishment or investment
Beijing Century Kailong	Beijing Century Kailong Business Investment Company Limited	Beijing	Beijing	Site leasing management	100%	-	Acquisition by the company through establishment or investment

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Acquisition method
					Direct	Indirect	
Tianjin Fashion	Tianjin Red Star Macalline Home Fashion Plaza Company Limited	Tianjin	Tianjin	Site leasing management	100%	-	Acquisition by the company through establishment or investment
Shanghai Red Star Ogloria	Shanghai Red Star Ogloria Home Living Market Management Company Limited*	Shanghai	Shanghai	Market company	100%	-	Acquisition by the company through establishment or investment
Hefei Shibo Furniture	Hefei Red Star Macalline Shibo Furniture Plaza Company Limited	Anhui	Anhui	Commodity rental	100%	-	Acquisition by the company through establishment or investment
Nanjing International Home Living	Nanjing Red Star Macalline International Home Living Company Limited	Jiangsu	Jiangsu	Commodity rental	100%	-	Acquisition by the company through establishment or investment
Yijia Decorating	Shanghai Red Star Macalline Yijia Home Decorating Company Limited	Shanghai	Shanghai	Home decoration	-	100%	Acquisition by the company through establishment or investment
Xingyitong	Shanghai Xingyi Tonghui Business Service Company Limited	Shanghai	Shanghai	Business services	100%	-	Acquisition by the company through establishment or investment
Hongmei	Shanghai Hongmei E-commerce Company Limited	Shanghai	Shanghai	E-commerce	-	100%	Acquisition by the company through establishment or investment
Youmei Home	Shanghai Youmei Home Furnishing Company Limited	Shanghai	Shanghai	Independent sale	-	100%	Acquisition by the company through establishment or investment
Tianjin International Expo	Tianjin Red Star Macalline International Home Furnishing Expo Company Limited	Tianjin	Tianjin	Commodity rental	65%	-	Acquisition by the company through establishment or investment
Tianjin World Trade	Tianjin Red Star Macalline World Trade Home Furnishing Company Limited	Tianjin	Tianjin	Commodity rental	100%	-	Acquisition by the company through establishment or investment
Shanghai Meihao	Shanghai Meihao Home Decorating Design Company Limited	Shanghai	Shanghai	Home decoration	-	100%	Acquisition by the company through establishment or investment
Harbin International home furnishing	Harbin Red Star Macalline International Home Furnishing Company Limited	Harbin	Harbin	Commodity rental	100%	-	Acquisition by the company through establishment or investment
Fengdilong Decorating	Shanghai Fengdilong Home Decorating Design Company Limited	Shanghai	Shanghai	Home decoration	-	80%	Acquisition by the company through establishment or investment
Changchun Red Star	Changchun Red Star Macalline Shibo Home Living Plaza Company Limited	Jilin	Jilin	Commodity rental	70%	-	Acquisition by the company through establishment or investment
Xizhao Investment	Red Star Xizhao Investment Company Limited	Xizang	Xizang	Investment management	90%	-	Acquisition by the company through establishment or investment
Red Star Mall Management	Red Star Macalline Home Furnishing Mall Management Company Limited	Xizang	Xizang	Investment management	100%	-	Acquisition by the company through establishment or investment
Shanghai Jiading	Shanghai Jiading Construction Home Decorating Design Company Limited	Shanghai	Shanghai	Home decoration	-	80%	Acquisition by the company through establishment or investment
Yangzhou International	Yangzhou Red Star Macalline International Home Furnishing Plaza Company Limited	Jiangsu	Jiangsu	Brand management	100%	-	Acquisition by the company through establishment or investment

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Acquisition method
					Direct	Indirect	
Shanghai Longmei	Shanghai Red Star Macalline Longmei Home Furnishing Market Management Company Limited	Shanghai	Shanghai	Market company	100%	-	Acquisition by the company through establishment or investment
Chongqing Jiaxin	Chongqing Jiaxin Home Decorating Design Company Limited	Chongqing	Chongqing	Home decoration	-	70%	Acquisition by the company through establishment or investment
Sunan Construction	Jiangsu Sunan Construction Company Limited	Jiangsu	Jiangsu	Building construction	100%	-	Business combinations under common control
Xixiliya Property	Henan Xixiliya Property Management Company Limited	Henan	Henan	Property management	-	100%	Acquisition by the company through establishment or investment
Shenyang Shibo Home Furnishing	Shenyang Red Star Macalline Shibo Home Furnishing Company Limited	Liaoning	Liaoning	Site leasing management	73%	-	Acquisition by the company through establishment or investment
Construction and Furnishing Materials Trading	Shanghai Red Star Macalline Bulk Purchasing of Construction and Furnishing Materials Trading Company	Shanghai	Shanghai	Site leasing management	100%	-	Acquisition by the company through establishment or investment
Intellectual Property Agency	Shanghai Red Star Macalline Intellectual Property Agency Company Limited	Shanghai	Shanghai	Intellectual property rights	-	100%	Business combinations not under common control
Shenyang Expo	Shenyang Red Star Macalline Home Living Expo Company Limited	Liaoning	Liaoning	Site leasing management	100%	-	Business combinations under common control
Lanzhou Shibo	Lanzhou Red Star Macalline Shibo Home Furnishing Plaza Company Limited	Gansu	Gansu	Site leasing management	100%	-	Acquisition by the company through establishment or investment
Jisheng Wellborn Brand Management	Shanghai Jisheng Wellborn Global Home Furnishing Brand Management Company Limited	Shanghai	Shanghai	Management consultancy	100%	-	Acquisition by the company through establishment or investment
Shanghai Decorating and Furnishing Market	Shanghai Red Star Macalline Home Decorating and Furnishing Market Management Company Limited	Shanghai	Shanghai	Brand management	-	100%	Acquisition by the company through establishment or investment
Macalline Network Technology	Shanghai Red Star Macalline Network Technology Company Limited	Shanghai	Shanghai	E-commerce	-	100%	Acquisition by the company through establishment or investment
Decorating Public Network Technology	Shanghai Red Star Macalline Decorating Public Network Technology Company Limited	Shanghai	Shanghai	E-commerce	-	100%	Acquisition by the company through establishment or investment
Urumchi Red Star	Urumchi Red Star Macalline Shibo Furniture Plaza Company Limited	Xinjiang	Xinjiang	Site leasing management	100%	-	Acquisition by the company through establishment or investment
Dongguan Red Star	Dongguan Red Star Macalline Shibo Furniture Plaza Company Limited	Dongguan	Dongguan	Site leasing management	70%	-	Acquisition by the company through establishment or investment
Anjia Network	Shanghai Anjia Network Technology Company Limited	Shanghai	Shanghai	E-commerce	-	100%	Acquisition by the company through establishment or investment
Aiguangjia E-Commerce	Shanghai Aiguangjia E-commerce Company Limited	Shanghai	Shanghai	E-commerce	-	100%	Acquisition by the company through establishment or investment

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Acquisition method
					Direct	Indirect	
Jia Ju Information Technology	Shanghai Jia Ju Information Technology Co., Ltd.	Shanghai	Shanghai	E-commerce	-	100%	Acquisition by the company through establishment or investment
Hongmei Network Technology	Shanghai Hongmei Network Technology Company Limited	Shanghai	Shanghai	E-commerce	-	100%	Acquisition by the company through establishment or investment
Chengdu Red Star Ogloria	Chengdu Red Star Ogloria Brand Management Company Limited	Chengdu	Chengdu	Brand management	-	100%	Acquisition by the company through establishment or investment
Hohhot Shibo (Note 1)	Hohhot Red Star Macalline Shibo Home Furnishing Plaza Company Limited	Hohhot	Hohhot	Site leasing management	100%	-	Business combinations not under common control
Diken Trading	Kunming Diken Trading Company Limited	Kunming	Kunming	Site leasing management	63%	-	Business combinations not under common control
Betterhome Decoration (Note 5)	Shanghai Betterhome Decoration Company Limited	Shanghai	Shanghai	Home decoration	-	50%	Business combinations not under common control
Shanxi Xingyi Tonghui	Shanxi Xingyi Tonghui Network Technology Company Limited	Shanxi	Shanxi	E-commerce	-	100%	Acquisition by the company through establishment or investment
Suzhou Zhongxiang	Suzhou Industry Park Zhongxiang Meitong Storage Company Limited	Jiangsu	Jiangsu	Site leasing management	55%	-	Business combinations not under common control
Changsha Shibo	Changsha Red Star Macalline Shibo Home Furnishing Plaza Company Limited	Hunan	Hunan	Site leasing management	100%	-	Acquisition by the company through establishment or investment
Macalline Assets Management	Shanghai Red Star Macalline Assets Management Company Limited	Shanghai	Shanghai	Investment management	-	70%	Acquisition by the company through establishment or investment
Xinghe Home Furnishing	Shanghai Xinghe Zhaipei Home Furnish Service Company Limited	Hebei	Hebei	Home decoration	100%	-	Acquisition by the company through establishment or investment
Macalline Logistics	Red Star Macalline Group (Shanghai) Logistics Company Limited	Shanghai	Shanghai	Logistics services	60%	-	Acquisition by the company through establishment or investment
Red Star Industrial	Shanghai Red Star Macalline Industrial Company Limited	Shanghai	Shanghai	Investment management	100%	-	Business combinations under common control
Xinglong Home Furnishing	Shanghai Red Star Macalline Xinglong Home Furnish Company Limited	Shanghai	Shanghai	Site leasing management	100%	-	Acquisition by the company through establishment or investment
Macalline Chengdu Business Management	Red Star Macalline Chengdu Business Management Company Limited	Chengdu	Chengdu	Enterprise Management Consulting	-	100%	Acquisition by the company through establishment or investment
Macalline Chengdu Enterprise Consulting	Red Star Macalline Chengdu Enterprise Management Consulting Company Limited	Chengdu	Chengdu	Enterprise Management Consulting	-	100%	Acquisition by the company through establishment or investment
Beijing International Home Furnishing	Beijing Red Star Macalline International Home Furnishing Plaza Company Limited	Beijing	Beijing	Site leasing management	100%	-	Business combinations under common control
Beijing Shibo Furniture	Beijing Red Star Macalline Shibo Furniture Plaza Company Limited	Beijing	Beijing	Site leasing management	100%	-	Business combinations under common control

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Acquisition method
					Direct	Indirect	
Beijing Home Furnishing Market	Beijing Macalline Home Furnishing Material Market Company Limited	Beijing	Beijing	Market company	20%	80%	Business combinations under common control
Beijing Shibo Home Furnishing	Beijing Red Star Macalline Shibo Home Furnishing Plaza Company Limited	Beijing	Beijing	Market company	-	100%	Business combinations under common control
Beijing Global Home Furnishing	Furnishing Red Star Macalline Global (Beijing) Home Furnishing Plaza Company Limited	Beijing	Beijing	Site leasing management	-	100%	Business combinations under common control
Baotou Red Star	Baotou Red Star Macalline Home Furnishing Plaza Company Limited	Inner Mongolia	Inner Mongolia	Site leasing management	100%	-	Business combinations under common control
Tianjin Shibo Home Furnishing (Note 1)	Red Star Macalline Shibo (Tianjin) Home Furnishing Plaza Company Limited	Tianjin	Tianjin	Site leasing management	100%	-	Acquisition by the company through establishment or investment
Kunshan Red Star	Kunshan Red Star Macalline Global Home Furnishing Company Limited	Jiangsu	Jiangsu	Brand management	100%	-	Acquisition by the company through establishment or investment
Tongxiang Red Star	Tongxiang Red Star Macalline Shibo Home Furnishing Plaza Management Company Limited	Zhejiang	Zhejiang	Brand management	100%	-	Acquisition by the company through establishment or investment
Beijing Business Management	Beijing Red Star Macalline Business Management Company Limited	Beijing	Beijing	Brand management	90%	10%	Acquisition by the company through establishment or investment
Wuxi Business Management	Wuxi Red Star Macalline Business Management Company Limited	Jiangsu	Jiangsu	Brand management	70%	30%	Acquisition by the company through establishment or investment
Quzhou Red Star	Quzhou Red Star Macalline Shibo Market Management Service Company Limited	Zhejiang	Zhejiang	Brand management	100%	-	Acquisition by the company through establishment or investment
Anhui Shengshidingtong Logistics	Anhui Shengshi Dingtong Logistics Company Limited	Anhui	Anhui	Logistics	100%	-	Business combinations not under common control
Tenghui Investment Hefei Company	Anhui Tenghui Investment Group Hefei Company Limited	Anhui	Anhui	Investment management	100%	-	Business combinations not under common control
Nanjing Home Furnishing	Nanjing Red Star International Home Furnishing Plaza Management Service Company Limited	Jiangsu	Jiangsu	Management company	-	100%	Acquisition by the company through establishment or investment
Changshu Red Star	Changshu Red Star Macalline Global Home Furnishing Company Limited	Jiangsu	Jiangsu	Brand management	-	100%	Acquisition by the company through establishment or investment
Shangahi Qixing	Shanghai Qixing Investment Company Limited	Shanghai	Shanghai	Investment management	-	100%	Acquisition by the company through establishment or investment
Shanghai Jinshan	Shanghai Red Star Macalline Kaiheng Household Company Limited	Shanghai	Shanghai	Site leasing management	100%	-	Acquisition by the company through establishment or investment

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Acquisition method
					Direct	Indirect	
Chengdu Tianfu Shibo	Chengdu Red Star Macalline Tianfu Expo Home Furnishing Plaza Company Limited	Sichuan	Sichuan	Site leasing management	100%	–	Acquisition by the company through establishment or investment
Chengdu Tianfu New District	Chengdu Tianfu New District Red Star Macalline World Trade Home Furnishing Company Limited	Sichuan	Sichuan	Site leasing management	100%	–	Acquisition by the company through establishment or investment
Hongkong Red Star Macalline	Hongkong Red Star Macalline Global Home Furnishing Company Limited	Hong Kong	Hong Kong	Investment management	100%	–	Acquisition by the company through establishment or investment
Macalline Yuejia	Shanghai Red Star Macalline Yuejia Network Technology Company Limited	Shanghai	Shanghai	E-commerce	–	76%	Acquisition by the company through establishment or investment
Macalline Business Management	Red Star Macalline (Shanghai) Business Management Company Limited	Shanghai	Shanghai	Enterprise Management Consulting	100%	–	Acquisition by the company through establishment or investment
Hefei Macalline Logistics	Hefei Red Star Macalline Logistics Company Limited	Hefei	Hefei	Logistics	–	100%	Acquisition by the company through establishment or investment
Changsha Jinxia	Changsha Red Star Macalline Jinxia Home Living Plaza Company Limited*	Hunan	Hunan	Site leasing management	100%	–	Acquisition by the company through establishment or investment
Shanghai Dingshi	Shanghai Dingshi Business Management Partnership (Limited Partnership (LP))	Shanghai	Shanghai	Enterprise Management Consulting	–	95%	Acquisition by the company through establishment or investment
Shanghai Hezhu	Shanghai Hezhu Business Management Partnership (Limited Partnership (LP))	Shanghai	Shanghai	Enterprise Management Consulting	–	1%	Acquisition by the company through establishment or investment
Shanghai Jiliang	Shanghai Jiliang Business Management Partnership (Limited Partnership (LP))	Shanghai	Shanghai	Enterprise Management Consulting	–	1%	Acquisition by the company through establishment or investment
Shanghai Juzun	Shanghai Juzun Business Management Partnership (Limited Partnership (LP))	Shanghai	Shanghai	Enterprise Management Consulting	–	1%	Acquisition by the company through establishment or investment
Shanghai Juqin	Shanghai Juqin Business Management Partnership (Limited Partnership (LP))	Shanghai	Shanghai	Enterprise Management Consulting	–	1%	Acquisition by the company through establishment or investment
Shanghai Juchu	Shanghai Juchu Business Management Partnership (Limited Partnership (LP))	Shanghai	Shanghai	Enterprise Management Consulting	–	1%	Acquisition by the company through establishment or investment
Shanghai Jibin	Shanghai Jibin Business Management Partnership (Limited Partnership (LP))	Shanghai	Shanghai	Enterprise Management Consulting	–	1%	Acquisition by the company through establishment or investment
Shanghai Jici	Shanghai Jici Business Management Partnership (Limited Partnership (LP))	Shanghai	Shanghai	Enterprise Management Consulting	–	1%	Acquisition by the company through establishment or investment
Shanghai Herou	Shanghai Herou Business Management Partnership (Limited Partnership (LP))	Shanghai	Shanghai	Enterprise Management Consulting	–	1%	Acquisition by the company through establishment or investment
Shanghai Hezeng	Shanghai Hezeng Business Management Partnership (Limited Partnership (LP))	Shanghai	Shanghai	Enterprise Management Consulting	–	1%	Acquisition by the company through establishment or investment
Wuhan Global Home Furnishing	Wuhan Red Star Macalline Global Home Furnishing Plaza Development Company Limited	Hubei	Hubei	Site leasing management	100%	–	Acquisition by the company through establishment or investment

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Acquisition method
					Direct	Indirect	
Sinkiang Macalline Business Management (Note 2)	Red Star Macalline Business Management Consulting Company Limited	Xinjiang Autonomous Region	Xinjiang Autonomous Region	Enterprise Management Consulting	100%	-	Acquisition by the company through establishment or investment
Sinkiang Red Star Ouliluoya (Note 2)	Red Star Ouliluoya Business Management Company Limited	Xinjiang Autonomous Region	Xinjiang Autonomous Region	Enterprise Management Consulting	-	100%	Acquisition by the company through establishment or investment
Khorgos Xingyijia (Note 2)	Khorgos Red Star Macalline Business Management Company Limited	Xinjiang Autonomous Region	Xinjiang Autonomous Region	Enterprise Management Consulting	-	100%	Acquisition by the company through establishment or investment
Shannxi Macalline Logistics (Note 2)	Shannxi Red Star Macalline Logistics Company Limited	Shaanxi	Shaanxi	Logistics	-	100%	Acquisition by the company through establishment or investment
Fanju Network Technology (Note 2)	Shanghai Fanju Network Technology Company Limited	Shanghai	Shanghai	Network technology	-	100%	Acquisition by the company through establishment or investment
Labour Despatching Company (Note 2)	Shanghai Red Star Macalline Labour Despatching Company Limited	Shanghai	Shanghai	Labour despatching	100%	-	Acquisition by the company through establishment or investment
Jiajinsuo Financial Technology (Note 2)	Shanghai Jiajinsuo Financial Technology Information Services Company Limited	Shanghai	Shanghai	Investment management	-	70%	Acquisition by the company through establishment or investment
Yantai Xinhuan (Note 2)	Yantai Xinhuan Business Management Company Limited	Shandong	Shandong	Enterprise Management Consulting	-	100%	Acquisition by the company through establishment or investment
Chongqing Macalline Logistics (Note 2)	Chongqing Red Star Macalline Logistics Company Limited	Chongqing	Chongqing	Logistics	-	100%	Acquisition by the company through establishment or investment
Xining Red Star Macalline Shibo Home Furnishing (Note 3)	Xining Red Star Macalline Shibo Home Furnishing Plaza Company Limited	Qinghai	Qinghai	Site leasing management	100%	-	Acquisition by the company through establishment or investment
Tianjin Macalline Logistics (Note 2)	Tianjin Red Star Macalline Logistics Company Limited	Tianjin	Tianjin	Logistics	-	60%	Acquisition by the company through establishment or investment
Jianjinsuo Investment Holding Company (Note 2)	Shanghai Jianjinsuo Investment Holding Company Limited	Shanghai	Shanghai	Investment management	70%	-	Acquisition by the company through establishment or investment
Zhengzhou Juankai Enterprise Management Company Limited*	Zhengzhou Juankai Enterprise Management Consultation Company Limited*	Henan	Henan	Enterprise Management Consulting	-	100%	Acquisition by the company through establishment or investment
Red Star Zhongying Investment	Red Star Zhongying Investment Company Limited	Tibet Autonomous Region	Tibet Autonomous Region	Venture capital	100%	-	Acquisition by the company through establishment or investment
Xinghe Asset Management	Shanghai Macalline Xinghe Asset Management Company Limited	Shanghai	Shanghai	Enterprise Management Consulting	100%	-	Acquisition by the company through establishment or investment
Yumu Business Management	Shanghai Yumu Business Management Company Limited	Shanghai	Shanghai	Enterprise Management Consulting	100%	-	Acquisition by the company through establishment or investment
Yuxu Business Management	Shanghai Yuxu Business Management Company Limited	Shanghai	Shanghai	Enterprise Management Consulting	100%	-	Acquisition by the company through establishment or investment
Yuzhu Business Management	Shanghai Yuzhu Business Management Company Limited	Shanghai	Shanghai	Enterprise Management Consulting	100%	-	Acquisition by the company through establishment or investment
Yuxiao Business Management	Shanghai Yuxiao Business Management Company Limited	Shanghai	Shanghai	Enterprise Management Consulting	100%	-	Acquisition by the company through establishment or investment

Company Abbreviation	Company Name	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Acquisition method
					Direct	Indirect	
Zhengzhou Dongsheng	Zhengzhou Dongsheng Business Management Company Limited	Henan	Henan	Enterprise Management Consulting	-	100%	Acquisition by the company through establishment or investment
Glory Casa	Red Star Macalline Glory Casa (Shanghai) Home Furnishing Company Limited	Shanghai	Shanghai	Independent sale	100%	-	Acquisition by the company through establishment or investment
Muye Asset (Note 3)	Shanghai Muye Asset Management Company Limited	Shanghai	Shanghai	Enterprise Management Consulting	100%	-	Business combinations not under common control
Macalline International Trade (Note 2)	Shanghai Red Star Macalline International Trade Company Limited	Shanghai	Shanghai	Import and export	55%	-	Acquisition by the company through establishment or investment
Red Star Finance Company (Note 2)	Red Star Macalline Group Finance Company Limited	Shanghai	Shanghai	Loan service	90%	10%	Acquisition by the company through establishment or investment
Shanghai Longzhihui (Note 2, 5)	Longzhihui (Shanghai) Facility Management Services Company Limited	Shanghai	Shanghai	Enterprise Management Consulting	0%	50%	Acquisition by the company through establishment or investment
Guizhou Macalline Logistics (Note 2)	Guizhou Red Star Macalline Logistics Company Limited	Guizhou	Guizhou	Logistics	0%	100%	Acquisition by the company through establishment or investment
Red Star Equipment Leasing Company (Note 2)	Shanghai Red Star Macalline Equipment Leasing Company Limited	Shanghai	Shanghai	Equipment leasing	0%	100%	Acquisition by the company through establishment or investment
Red Star Meiju Trading (Note 2)	Shanghai Red Star Macalline Meiju Trading Company Limited	Shanghai	Shanghai	Import and export	51%	-	Acquisition by the company through establishment or investment
Suzhou Shibo Home Furnishing (Note 2)	Suzhou Red Star Macalline Shibo Home Furnishing Plaza Company Limited	Jiangsu	Jiangsu	Site leasing management	60%	-	Acquisition by the company through establishment or investment
Betterhome Industrial (Note 2, 5)	Shanghai Betterhome Industrial Company Limited	Shanghai	Shanghai	Construction decorating	0%	50%	Acquisition by the company through establishment or investment
Kunming Shibo Home Furnishing (Note 2)	Kunming Red Star Macalline Shibo Home Furnishing Plaza Company Limited	Yunnan	Yunnan	Site leasing management	-	87%	Acquisition by the company through establishment or investment
Chongqing Chayuan (Note 2)	Chongqing Red Star Macalline International Home Furnishing Plaza Company Limited	Chongqing	Chongqing	Site leasing management	100%	-	Acquisition by the company through establishment or investment
Jinshan Home Furnishing (Note 3)	Shanghai Jinshan Red Star Macalline Global Home Furnishing Company Limited	Shanghai	Shanghai	Site leasing management	100%	-	Acquisition by the company through establishment or investment

Shopping Mall Business Division:

Business units	Main business site	Place of incorporation	Nature of business
Home Furnishing Shopping Mall Business Division Of Yunnan Red Star Macalline Property Company Limited (“Yunnan Property”)	Yunnan	Yunnan	Site leasing management
Home Furnishing Shopping Mall Business Division Of Dalian Red Star Macalline Investment Development Company Limited (“Dalian Investment”)	Liaoning	Liaoning	Site leasing management

Note 1: Please refer to Note (VII). 2. (1)(a) and (2)(a), for details of the acquisition of non-controlling interests in year 2017.

Note 2: Please refer to Note (VI). 4. (1), for details of the change in the scope of consolidation due to the newly established company in year 2017.

Note 3: Please refer to Note (VI). 1. (1) and Note (VI). 2. (1), for details of business combination not under the common control and assets acquisition in year 2017.

Note 4: Minority shareholders obtain a fixed return from Jinan Red Star, Beijing Europe and America Business, Changzhou Hongyang and Chengdu Changyi. For details, please refer to Note (VII). 1. (1). (c).

Note 5: The investee subsidiaries in which the Group holds half of the voting rights but which are still controlled by the Group are Hongxin Oukai, Chengdu Changyi, Shanghai Longzhahui, Betterhome Decoration and Betterhome Industrial. For details, please refer to Note (VII). 1. (1). (d).

(b) *Definitive repurchase and optional repurchase transactions*

In November 2011, the Company signed an equity transfer agreement with Shanghai Red Star Macalline Enterprise Operation and Management Co., Ltd. (“Xingkai Operation”) to transfer 100% equity in Xingkai Chengpeng held by Xingkai Operation, which included Shenyang Jingsen Hongpu Real Estate Development Co., Ltd. (“Shenyang Jingsen”), Yunnan Red Star Macalline Property Company Limited (“Yunnan Property”), Tianjin Huayun Commercial Property Company Limited (hereinafter “Huayun Trade”), Dalian Red Star Macalline Investment Development Company Limited (“Dalian Investment”), Changchun Red Star Macalline International Home Furnishing Co., Ltd. (hereinafter “Changchun Property”), Shanghai Real Estate and Chengdu Red Star Macalline Real Estate Co., Ltd. (hereinafter “Chengdu Property”), at a consideration of RMB947,355,014.29 by way of equity held in 10 subsidiaries and associates under its control and cash consideration of RMB52,644,985.71, and the shareholding in the home furnishing shopping mall business segment of Shanghai Xinglong Property Development Co., Ltd. (“Xinglong Property”) held by Shanghai Real Estate was transferred together with the outgoing shareholding of Shanghai Real Estate and 50% equity in Greenland Jinniu Real Estate held by Chengdu Property was transferred together with the outgoing shareholding of Chengdu Property.

Definitive repurchase business in 2011

The Group signed a repurchase framework agreement and an irrevocable definitive repurchase agreement with Xingkai Operation, which stipulated that when the home furnishing shopping mall assets held by Huayun Trade, Yunnan Property, Shenyang Jingsen and Changchun Property satisfy the transfer conditions, the Company may, directly or through the designated related companies within the scope of combined statements, repurchase such home furnishing shopping mall assets by way of the transfer of equity in the companies that hold such assets, dissolution, etc. at a repurchase price that is in substance in line with the pricing method and principle when the Group transfers the equity in such companies. Prior to the completion of the repurchase, the Group shall enjoy and assume the gains and risks arising from or in connection with such home furnishing shopping mall assets and the management of the Group is therefore of the view that the Group maintains its capacity as the beneficial owner of the home furnishing shopping mall business of the above subsidiaries in the above disposal of subsidiaries and only disposed of the non-home furnishing shopping mall business of the above subsidiaries, i.e. the real estate business segment. As such, the above transaction was treated as disposal of real estate business.

In August 2013, December 2013 and June 2015, the Group completed the repurchase of home furnishing shopping mall assets held by Huayun Trade, Changchun Property and Shenyang Jingsen. By the end of this year, the Group has obtained the ownership certificate of the home furnishing shopping mall assets of Huayun Trade and Shenyang Jingsen.

The Group completed the repurchase in January 2018 and obtained the ownership certificate of the home furnishing shopping mall assets held by Yunnan Property.

Optional repurchase business in 2011

In December 2011, the Company signed a repurchase framework agreement with Xingkai Operation, which stipulated that when the home furnishing shopping mall assets held by Dalian Investment, Greenland Jinniu Real Estate and Xinglong Property satisfy the transfer conditions, the Company may opt to, directly or through the designated related companies within the scope of combined statements, repurchase such home furnishing shopping mall assets by way of the transfer of equity in the companies that hold such assets, dissolution, etc. at a repurchase price that is in line with the pricing method and principle when the RSM Group transfers the equity in the asset-holding companies that hold relevant home furnishing shopping mall assets and real estate assets. The Company may sign a repurchase option agreement with the transferor at its sole discretion, pursuant that the Company has the right but with no obligation to request the transferor to dispose of such home furnishing shopping mall assets to the Company or the designated related companies within the scope of combined statements as stipulated in the repurchase option agreement and determine the settlement method of the transfer payment based on the actual progress of the project.

Dalian Investment and Xinglong Property

The Group signed a repurchase agreement with Xingkai Operation in relation to the home furnishing shopping mall assets held by Dalian Investment and Xinglong Property, which stipulated that, during the period commencing from the date of the agreement and preceding the completion of repurchase, the Group shall enjoy or assume the gains and risks arising from or in connection with the home furnishing shopping mall assets regardless of the method the Group opts to repurchase such assets.

In December 2015, the Group completed the repurchase of the home furnishing shopping mall assets held by Xinglong Property.

By the end of this year, the Group has completed the repurchase of the home furnishing shopping mall assets held by Dalian Investment and was undergoing the procedure on change of ownership certificate in the name of the Group.

Greenland Jinniu Real Estate

On 23 October 2015, the Group signed an agreement with Chengdu Property to repurchase the home furnishing shopping mall assets held by Greenland Jinniu Real Estate (under the control of Chengdu Property) at a cost of no more than RMB495,410,000.00. In December 2015, the Group prepaid 50% consideration of RMB247,705,000.00 as stipulated in the agreement. By the end of this year, the Group has not completed the repurchase of home furnishing shopping mall assets held by Greenland Jinniu Real Estate.

(c) *Subsidiaries that create fixed returns for its minority shareholders*

Pursuant to the relevant contracts signed between the Company and Shandong Lotus Group Company Limited, a shareholder of Jinan Red Star, upon completion of the properties under relevant cooperation projects, certain property ownership will be vested in Shandong Lotus Group Company Limited and leased by the Group. The lease term shall be 10 years starting from the commence date of the project (2010 to 2020) and Shandong Lotus Group Company Limited shall be entitled to fixed rental return. Shandong Lotus Group Company Limited will not participate in the daily operation and management of Jinan Red Star and will not be entitled to other profit distributions. As stipulated in relevant contracts, the Group will classify the capital contribution made by Shandong Lotus Group Company Limited to liabilities, which will not be accounted as equity instruments.

Pursuant to the relevant contracts signed between the Company and Beijing Chaoyang Huayuan North Nong Gong Shang Company (北京市朝陽北花園農工商公司), a shareholder of Beijing Europe and America Business. During the cooperation period of the project, the Group will undertake the contracting of operation of Beijing Europe and America Business and, starting from the date after twelfth months of the commencement of the project, pay the fixed contracting profit to Beijing Chaoyang Huayuan North Nong Gong Shang Company (北京市朝陽北花園農工商公司). The cooperation and operation period shall be 50 years (2011 to 2060). Upon expiry of the cooperation and operation period, all land parcels, properties and unmovable facilities of the project company will be shared among the shareholders of both parties on a pro rata basis based on the registered capital. As stipulated in relevant contracts, the Group will classify the capital contribution made by Beijing Chaoyang Huayuan North Nong Gong Shang Company (北京市朝陽北花園農工商公司) to liabilities, which will not be accounted as equity instruments.

Pursuant to the relevant contracts signed between the Company and Changzhou Wujing Sanyang Shopping Centre Company Limited, a shareholder of Changzhou Hongyang, within 21 years starting from 2009, Changzhou Wujing Sanyang Shopping Centre Company Limited shall be entitled to fixed returns and will not be entitled to other profit distributions of Changzhou Hongyang. Commencing from the 22nd year, both parties shall rank pari passu in terms of shareholdings and rights and jointly assume profits and losses. As stipulated in relevant contracts, the Company will divide the corresponding minority interests into two parts, namely financial liabilities and equity instruments, and make separate presentation.

Pursuant to the relevant contracts signed between the Company and Chengdu Great Wall Industrial Group Company Limited, a shareholder of Chengdu Changyi, within 10 years starting from 2017, Chengdu Great Wall Industrial Group Company Limited shall be entitled to fixed returns and will not be entitled to other profit distributions of Chengdu Changyi. As stipulated in the relevant contracts, the Company will divide the corresponding minority interests into two parts, namely financial liabilities and equity instruments, and make separate presentation.

(d) *Basis for maintaining control over investees with less than majority of voting rights or waiving control over investees with more than majority of voting rights:*

Pursuant to the relevant agreements signed between the Group and other shareholders of Hongxin Oukai, Chengdu Changyi, Shanghai Longzhahui, Betterhome Decoration and Betterhome Industrial (collectively the “50%-holding companies”), as other shareholders of the abovesaid 50%-holding companies will not participate in the operation and management of these companies and the Group shall have the rights to determine the financial and operational policies on the 50%-holding companies, the Company has actual control over such companies and will consolidate them as subsidiaries in accounting.

(2) Important non-wholly owned subsidiaries

Name of subsidiaries	Minority shareholders' interests ratio	Profit/loss attributable to minority shareholders for the year	Dividends paid to minority shareholders for the year	<i>RMB</i>	
				Others	Accumulated minority shareholders interests by end of year
Zhengzhou Red Star	40.5%	124,852,136.50	63,769,654.35	-	867,576,462.31

(3) Important financial information of major non-wholly owned subsidiaries

RMB

Zhengzhou Red Star	Closing balance/Amount recognized in the current year	Opening balance/Amount recognized in the prior year
Current assets	245,887,923.58	270,768,465.94
Non-current assets	3,277,889,912.88	3,081,125,105.41
Total assets	3,523,777,836.46	3,351,893,571.35
Current liabilities	253,551,550.05	147,860,305.38
Non-current liabilities	1,074,096,841.43	929,710,986.10
Total liabilities	1,327,648,391.48	1,077,571,291.48
Revenue	269,142,174.93	228,963,461.74
Net profit	309,454,309.46	228,496,012.04
Total comprehensive income	309,454,309.46	228,496,012.04
Cash flows from operating activities	222,894,723.99	106,673,090.68

2. Transactions with Changes in Equities Attributable to Owners of Subsidiaries and Still Control over It

(1) Details of changes in equities attributable to owners of subsidiaries

(a) Current year

The Group acquired 49% equity interest in Panjin Red Star from minority shareholders of Panjin Red Star, at RMB48,187,000.00. After the completion of the acquisition, equities of Panjin Red Star attributable to the Group increased from 51% to 100%, writing down capital reserve by RMB17,354,783.26.

The Group acquired 49% equity interest in Tianjin Shibo Home Furnishing from minority shareholders of Tianjin Shibo Home Furnishing, at RMB158,431,821.21. After the completion of the acquisition, equities of Tianjin Shibo Home Furnishing attributable to the Group increased from 51% to 100%, writing down capital reserve by RMB230,618,077.44.

The Group acquired 40% equity interest in Hohhot Shibo from minority shareholders of Hohhot Shibo, at RMB63,280,264.00. After the completion of the acquisition, equities of Hohhot Shibo attributable to the Group increased from 60% to 100%, writing down capital reserve by RMB9,925,492.71.

(b) Prior year

In January 2016, the Group solely made contribution to Macalline Network Technology at RMB50,000,000.00. Upon the capital increase, the registered capital of Macalline Network Technology increased from RMB10,000,000.00 to RMB12,500,000.00 and equities of Macalline Network Technology attributable to the Group increased from 75% to 80% and net assets of Macalline Network Technology attributable to the Group increased by RMB41,000,000.00, writing down capital reserve by RMB9,000,000.00, i.e. the difference with the capital contribution amount of RMB50,000,000.00. In November 2016, the Group also acquired 20% equity interest in Macalline Network Technology from minority shareholders of Macalline Network Technology, at RMB14,000,000.00. After the completion of the acquisition, equities of Macalline Network Technology attributable to the Group increased from 80% to 100%, writing down capital reserve by RMB7,546,131.89.

The Group acquired 30% equity interest in Shanghai Yongdian from minority shareholders of Shanghai Yongdian, at cash consideration of RMB1.00. After the completion of the acquisition, equities of Shanghai Yongdian attributable to the Group increased from 70% to 100%, writing down capital reserve by RMB209,283.59.

The Group disposed of 15% and 20% equity interest in Red Star Consulting from minority shareholders, at consideration of RMB150,000.00 and RMB200,000.00, respectively. After the completion of the disposal, equities of Red Star Consulting attributable to the Group decreased from 100% to 65%, increasing capital reserve by RMB887,941.07.

The Group disposed of 10% equity interest in Xizhao Investment from minority shareholders, at consideration of RMB10,000,000.00. After the completion of the disposal, equities of Xizhao Investment attributable to the Group decreased from 100% to 90%, writing down capital reserve by RMB293,990.83.

(2) Impact of transactions on equities of minority shareholders and attributable to owners of the Company

(a) Current year

	<i>RMB</i>		
Acquisition of non-controlling interest	Panjin Red Star	Tianjin Shibo Home Furnishing	Hohhot Shibo
Purchase cost			
– Cash	48,187,000.00	158,431,821.21	63,280,264.00
Total purchase cost and consideration	48,187,000.00	158,431,821.21	63,280,264.00
Less: the share of net assets of the subsidiary calculated based on the percentage of equity acquired	30,832,216.74	(72,186,256.23)	53,354,771.29
Differences	17,354,783.26	230,618,077.44	9,925,492.71
Including: Capital reserve adjustment	17,354,783.26	230,618,077.44	9,925,492.71
	<u>17,354,783.26</u>	<u>230,618,077.44</u>	<u>9,925,492.71</u>

(b) Prior year

	<i>RMB</i>	
Capital increase	Macalline Network Technology	
Purchase cost		
– Cash		50,000,000.00
Total purchase cost and consideration		50,000,000.00
Less: the share of net assets of the subsidiary calculated based on the percentage of equity acquired		41,000,000.00
Differences		9,000,000.00
Including: Capital reserve adjustment		9,000,000.00
		<u>9,000,000.00</u>

RMB

Acquisition of non-controlling interest	Macalline Network Technology	Shanghai Yongdian
Purchase cost		
– Cash	14,000,000.00	1.00
Total purchase cost and consideration	14,000,000.00	1.00
Less: the share of net assets of the subsidiary calculated based on the percentage of equity acquired	6,453,868.11	(209,282.59)
Differences	7,546,131.89	209,283.59
Including: Capital reserve adjustment	7,546,131.89	209,283.59

RMB

Disposal of equity	Red Star Consulting	Xizhao Investment
The share of net assets of the subsidiary calculated based on the percentage of equity disposed	(537,941.07)	10,293,990.83
Disposal consideration – cash	350,000.00	10,000,000.00
Total disposal consideration	350,000.00	10,000,000.00
Differences	(887,941.07)	293,990.83
Including: Capital reserve adjustment	(887,941.07)	293,990.83

3. Interest in Joint Ventures or Associates

(1) Important joint ventures or associates

Name of joint venture	Main business site	Place of incorporation	Nature of business	Shareholding ratio		Accounting treatment of investments in associates and joint ventures
				Direct	Indirect	
Chengdu Dongtai	Sichuan	Sichuan	Site leasing management	50%	–	Equity method

(2) Major financial information on important joint ventures

RMB

	Chengdu Dongtai	
	Closing balance/Amount recognized in the current year	Opening balance/Amount recognized in the prior year
Current assets	345,450,012.65	368,542,045.36
Including: cash and cash equivalents	76,713,271.88	101,645,677.47
Non-current assets	1,728,407,680.70	1,546,936,928.65
Total assets	2,073,857,693.35	1,915,478,974.01

RMB

	Chengdu Dongtai	
	Closing	Opening
	balance/Amount	balance/Amount
	recognized in	recognized in
	the current year	the prior year
Current liabilities	109,493,177.47	109,788,117.25
Non-current liabilities	359,328,872.11	407,199,617.40
Total liabilities	468,822,049.58	516,987,734.65
Net assets share calculated based on the percentage of shareholding	802,517,821.89	699,245,619.68
Book value in the investment of joint ventures equity	802,517,821.89	699,245,619.68
Fair value of joint venture equity investment of public offer	N/A	N/A
Revenue	161,141,074.76	166,518,778.54
Finance expenses	1,248,742.59	7,302,427.48
Income tax expense	69,233,962.41	36,946,894.75
Net profit	206,544,404.39	109,832,141.64
Other comprehensive income	–	–
Total comprehensive income	206,544,404.39	109,832,141.64
Dividends received from joint ventures for the year	–	–

(3) Consolidated financial information on unimportant joint ventures and associates

RMB

	Closing	Opening
	balance/Amount	balance/Amount
	recognized in	recognized in
	the current year	the prior year
Joint ventures:		
Total book value of the investments	60,793,848.52	23,225,315.77
The aggregate of following items calculated based on the percentage of shareholding		
– Net profit	10,568,532.75	(2,529,266.41)
– Other comprehensive income	–	–
– Total comprehensive income	10,568,532.75	(2,529,266.41)
Associates:		
Total book value of the investments	750,506,624.34	290,175,638.37
The aggregate of following items calculated based on the percentage of shareholding		
– Net profit	15,418,185.90	83,831,181.91
– Other comprehensive income	–	–
– Total comprehensive income	15,418,185.90	83,831,181.91

(4) Risk information related to the interests of the Group in joint ventures and associates

By the end of the current year and prior year, the long-term equity investment held by the Group was not limited by the ability of the investee to transfer capital to the Group with cash dividends, repayment of loans or advances.

By the end of the current year and prior year, the Group has no unidentified investment losses due to the excess losses incurred by the investee.

(5) Contingent liabilities related to investments in joint ventures or associates

On 24 February 2012, the Company provided guarantee for Chengdu Dongtai, the joint venture of Company, to Sichuan Trust Co., Ltd. (四川信託有限公司) to guarantee the borrowing of RMB400,000,000.00 under the Property Income Right Trust established by Chengdu Dongtai with its property lease income right and the trust revenue. Chengdu Dongtai has set up Property Income Right Trust with its property lease income right. The Trust is managed, used and handled by Sichuan Trust Co., Ltd. in accordance with the terms of the trust contract and is pledged with the operating property income right, and mortgaged by intangible assets of Chengdu Dongtai, for a term of 5 years. As at 31 December 2016, the balance of borrowings was RMB98,000,000.00. In February 2017, the property income right trust was over.

On 25 July 2015, Beijing International Furniture (北京國際家具), a subsidiary of the Company, based on its shareholding percentage in associate Haier Consume Financing, provided a guarantee of RMB375,000,000.00 to Haier Consume Financing against the loan of RMB1,500,000,000.00 lent by Haier Consume Financing to Haier Group Finance Co., Ltd. (海爾集團財務責任有限公司). Among which, RMB225,000,000.00 was provided by Beijing International Furniture to Haier Consume Financing by way of the pledge of its 25% equity interests in Haier Consume Financing and the remaining RMB150,000,000.00 was provided by Beijing International Furniture by way of joint and several liability guarantees for a term of 3 years. The opening balances of borrowings was RMB500,000,000.00, which was fully repaid in 2017.

On 8 November 2016, the Company provided 25% joint and several liability guarantees against the loan of RMB2,500,000,000.00 lent by Haier Consume Financing to Haier Group Finance Co., Ltd. for a term of 3 years. By the end of the current year and prior year, the balances of borrowings were RMB1,600,000,000.00 and RMB500,000,000.00 respectively.

(6) Commitment related to investments in joint ventures or associates

By the end of the current year, the Group has not paid its share of the registered capital of Shenzhen Red Star Macalline Longrenheng Home Furnishing Plaza Company Limited, an established associate, and Macalline Gaohe (Wuhu) Home Furnishing Commercial Property Investment Fund Partnership (Limited Partnership). Among which, the Group has paid its subscribed amount of RMB4,300,000 for Shenzhen Red Star Macalline Longrenheng Home Furnishing Plaza Company Limited and RMB100 million for Macalline Gaohe (Wuhu) Home Furnishing Commercial Property Investment Fund Partnership (Limited Partnership).

(VIII) RISKS RELATED TO FINANCIAL INSTRUMENTS

Financial instruments the Group invested mainly include cash and bank, equity investment, debt investments, accounts receivable, notes receivable, other receivables, other current assets, non-current assets due within one year, long-term receivables, other non-current assets, payables, other payables, borrowings, bonds payable, non-current liabilities due within one year, long-term payables, other non-current liabilities, etc. For details, please see Note (V). The following will show the risks relating to these financial instruments and the risk management policies the Group adopted to reduce the relative risks. Management of the Group manages and supervises the exposures of these financial instruments to ensure that they are within control.

Sensitivity analysis is adopted by the Group to analyze possible impact on the current profit and loss or shareholders' equity by the reasonable and possible changes of risk variables. Since any risk variables seldom happen individually, relativity between variables will cause significant influences on the ultimate impacted amount of the change in a risk variable, so the following statement is based on supposition that each variable happens independently.

1. Goal and Policies of Risk Management

The goal of risk management of the Group is to achieve balance between risk and income, reducing the negative impacts by risk on the operation result of the Group to the lowest level, and maximizing interests of shareholders and other equity investors. Based on this goal, the basic strategy of risk management for the Group is to ascertain and analyze all the risks that the Group confronts, establish appropriate bottom line for risk-taking, and manage the risks accordingly, in the meantime supervise all the risks in a timely and reliable manner, controlling the risks within the limited scope.

1.1 Market risks

Interest rate risk is the principal risk confronted by the Group. There has been no significant change in the Group's exposure to market risk and in the ways of the management and recognition of these risks for the current year and prior year.

1.1.1 Foreign exchange risk

Foreign exchange risk refers to the risk arising from the loss on exchange rate changes. The Group is mainly exposed to foreign exchange risk that relates to US dollars and Hong Kong dollars. The principal business activities of the Group's subsidiaries are settled in Renminbi.

As at 31 December 2017, except for the US dollar and Hong Kong dollar adopted by each entity as functional currencies for financial assets and financial liabilities as stated in the below table, the balance of the financial assets and financial liabilities of the Group are all in Renminbi. Foreign exchange risks arising from the balance of assets and liabilities of such foreign currencies may have an impact on the operating results of the Group.

	<i>RMB'000</i>	
Items	Closing balance	Opening balance
US dollars		
Cash and bank	245,895.25	96.90
Bonds payable	1,923,565.82	–
HK dollars		
Cash and bank	100.95	112.11

Sensitive analysis on foreign exchange risk

The Group closely monitors the impact of change in exchange rates on the foreign exchange risk of the Group. Where other variables remain constant, the potential reasonable changes in exchange rates against the net profit after tax calculated by profit or loss and shareholders' equity for the period are set out as follows:

RMB'000

Items	Exchange rate changes	Amount for the current year		Amount for the prior year	
		Impact on profit	Impact on shareholders' equity	Impact on profit	Impact on shareholders' equity
Entity with Renminbi as its functional currency					
Net profit and equity	5% depreciation of US dollars against Renminbi	62,913	62,913	(4)	(4)
	5% depreciation of HK dollars against Renminbi	(4)	(4)	(4)	(4)

1.1.2 Interest rate risk – Risk of changes in cash flow

Risks related to changes in financial instruments' cash flow due to interest rates' variation mainly involve bank borrowings and bank deposits with floating interest rates, please see Note V.1, 20, 28 and 29 for details. These items adopt a deposit interest rate or floating interest rate based on the benchmark interest rate published by the People's Bank of China. The Group's policy is to maintain the floating rate of these borrowings to eliminate the risk of changes in the fair value of interest rates.

The section of "Liquidity risk" of this Note details the Group's exposure to risks of interest rates on financial liabilities.

The following sensitivity analysis is based on the fact that the balance of bank deposits and bank borrowings with floating interest rate at the end of the reporting year is not paid throughout the year. When reporting interest rate risks to the management, the bank borrowings with floating interest rate terms are increased or decreased by 50 basis points, and by 25 basis points for bank deposits, which represent the estimations made by the management on the possibly reasonable changes in the relevant interest rates of bank borrowings and bank deposits.

If the bank borrowings interest rate with the floating interest rate rises by 50 basis points and all other variables remain unchanged, the decreases in net profit of the Group (excluding the impact of interest capitalization) for the current year and prior year are as follows:

	Amount for the current year RMB'000	Amount for the prior year RMB'000
Decrease in net profit	51,444	34,143
Decrease in shareholders' equity	51,444	34,143

If the floating interest rate of bank borrowings falls by 50 basis points and all other variables remain unchanged, the annual net profit will increase by the same amounts in the above table.

If the interest rate of bank account balance and the restricted bank deposits rises by 25 basis points and all other variables remain unchanged, the increases in net profit of the Group for the current year and prior year are as follows:

	Amount for the current year RMB'000	Amount for the prior year RMB'000
Increase in net profit	15,717	11,145
Increase in shareholders' equity	<u>15,717</u>	<u>11,145</u>

If the interest rate of bank deposits falls by 25 basis points and all other variables remain unchanged, the annual net profit will decrease by the same amounts in the above table.

1.2 Credit risks

For the current year and prior year, the biggest exposure of credit risks that can cause financial losses of the Group comes when the other Party of the contract doesn't carry out its obligations, including:

- (1) At the end of the year, the carrying amount of the financial assets that have been separately recognized in the balance sheet.
- (2) The amount of contingent liabilities related to the financial guarantee of the Group.

A special team has been set up to be in charge of setting credit amounts, approving credit limits and exercising other supervisory procedures to make sure all necessary measures are taken to retrieve overdue creditor's rights, thus reducing credit risk. Moreover, the Group supervisors every single receivable on every Balance Sheet date to make sure sufficient provision on bad debt will be in place for those irretrievable receivables. Therefore, the management considers the Group exposure to the credit risks greatly reduced.

There is no significant credit concentration risk for accounts receivable from non-related parties of the Group, since accounts receivable are from a large number of customers in various industries and regions.

There is a credit concentration risk in the accounts receivable from the related parties of the Group, but the risk is very limited due to the good financial position of the related parties.

There is a credit concentration risk in the Group's liquidity as it is mainly deposited with several banks with high ratings by international credit rating agencies, the credit concentration risk is very limited.

1.3 Liquidity risks

The Group's management has established an appropriate liquidity risk management framework to meet the Group's short-, medium- and long-term capital and liquidity management requirements. The Group manages the liquidity risk by maintaining sufficient reserves, new shares issued, bank credit lines and reserve loan credit lines, continuously monitoring expected and actual cash flows, matching the maturity date of the portfolio of financial assets and liabilities.

In addition, the following table sets out the remaining contract maturities of the Group's non-derivative financial liabilities based on the repayment terms specified in the contract. The table is prepared based on the undiscounted cash flow of the earliest time that the Group may be required to repay. The following table includes interests and principal cash flows.

If the changed floating interest rate is different from the interest rate estimated at the end of each reporting period, the amount of non-derivative financial liabilities with floating rate listed in the table below will also change.

RMB '000

Closing balance	On demand	1 to 2 years	2 to 5 years	Over 5 years	Total	Carrying amount
	or due within 1 year				undiscounted cash flows	
Payables	7,646,849	-	-	-	7,646,849	7,646,849
Long-term payables	-	695,559	166,995	137,928	1,000,482	1,000,482
Bank borrowings-fixed rate	1,585,584	73,707	183,634	222,472	2,065,397	1,965,363
Bank borrowings with floating interest rate	2,524,707	1,768,328	5,725,944	4,424,299	14,443,278	13,718,395
Bonds payable	879,350	5,407,234	5,495,859	1,500,000	13,282,443	10,383,192
Financial lease payables	36,183	31,249	31,249	864,558	963,239	428,492
Financial guarantees	400,000	-	-	-	400,000	-
Commercial mortgage-backed securities	151,600	158,450	2,484,510	-	2,794,560	2,378,400
	<u>13,224,273</u>	<u>8,134,527</u>	<u>14,088,191</u>	<u>7,149,257</u>	<u>42,596,248</u>	<u>37,521,173</u>

RMB '000

Opening balance	On demand	1 to 2 years	2 to 5 years	Over 5 years	Total	Carrying amount
	or due within 1 year				undiscounted cash flows	
Payables	5,181,620	-	-	-	5,181,620	5,181,620
Long-term payables	-	739,537	65,145	251,337	1,056,019	1,056,019
Bank borrowings-fixed rate	85,692	1,261,406	209,588	29,624	1,586,310	1,510,010
Bank borrowings with floating interest rate	2,838,043	2,252,012	3,413,493	1,716,000	10,219,548	9,724,823
Bonds payable	2,414,340	5,879,350	2,248,050	1,628,700	12,170,440	10,323,569
Financial lease payables	36,183	31,249	93,747	833,309	994,488	432,970
Financial guarantees	348,000	-	-	-	348,000	-
	<u>10,903,878</u>	<u>10,163,554</u>	<u>6,030,023</u>	<u>4,458,970</u>	<u>31,556,425</u>	<u>28,229,011</u>

The amounts of financial guarantees in the above table refer to the maximum amounts that may be required to be repaid by the counterparties. Notwithstanding the forecast at the end of the year, the Board of Directors of the Group is of the view that the above amounts are likely not to be paid. But the estimate may change based on the possibility that the counterparty will make a claim in accordance with the guarantee contract on the credit loss suffered from the guaranteed receivables held.

1.4 Capital Risk Management

The Group manages its own capital to ensure that companies consolidated in the Group will be able to continue as a going concern while optimizing indebtedness and balancing equities in order to maximize the return to shareholders. The Group's overall strategy remains unchanged for the reporting period.

The capital structure of the Group consists of net liabilities including bank loans, bonds payable and finance leases payable (net of cash and cash equivalents) and the Group's equity attributable to the parent company (including share capital, capital reserve, surplus reserve and retained earnings).

The management of the Group regularly reviews the capital structure. In reviewing, the management of the Group will consider capital cost and risks related to capital of various classes. By adopting recommendations of the Group's management, the Group will balance the overall capital structure of the Group through dividend payment and new shares issued as well as the issuance of new indebtedness or redemption of existing indebtedness.

(IX) FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using valuation technique. Fair value measurement and/or disclosure in the financial statements are determined according to the above basis.

1. Assets and Liabilities not Measured at Fair Value but Disclosed at Fair Value

The Group's financial assets and financial liabilities measured at amortized cost mainly include: notes receivable, accounts receivable, other receivables, non-current assets due within one year, other current assets, long-term receivables, other non-current assets short-term borrowings, accounts payable, other payables, non-current liabilities due within one year, bonds payable, long-term loans and long-term payables, other non-current liabilities, etc.

Except for relevant financial liabilities listed below, the Group's management believes that the carrying amounts of other financial assets and financial liabilities in the financial statements are close to the fair values of such assets and liabilities.

RMB

Items	Closing balance		Opening balance	
	Book amortized cost	Fair value	Book amortized cost	Fair value
Bonds payable				
Second tranche of the medium-term notes of 2012 of Red Star Macalline Group Corporation Ltd.	-	-	894,941,194.51	916,731,000.00
First tranche of the medium-term notes of 2013 of Red Star Macalline Group Corporation Ltd.	498,726,366.25	516,841,500.00	497,030,950.08	529,199,500.00
First tranche non-public issuance of debt financing instruments of 2014 of Red Star Macalline Group Corporation Ltd.	-	-	994,526,878.83	1,023,404,000.00
First tranche of corporate bonds of Red Star Macalline Group Corporation Ltd. in 2015	4,987,987,922.63	4,982,665,000.00	4,973,682,713.22	5,118,825,000.00
5-year Corporate notes of 2016 of Red Star Macalline Group Corporation Ltd. (the first tranche)	1,490,868,192.87	1,468,692,000.00	1,485,447,044.30	1,487,631,000.00
7-year Corporate notes of 2016 of Red Star Macalline Group Corporation Ltd. (the first tranche)	1,482,044,142.78	1,484,358,000.00	1,477,939,985.71	1,577,493,000.00
5-year U.S. bonds of 2017 of Hongkong Red Star Macalline	1,923,565,824.50	1,922,524,995.00	-	-
Total	<u>10,383,192,449.03</u>	<u>10,375,081,495.00</u>	<u>10,323,568,766.65</u>	<u>10,653,283,500.00</u>

The Group adopts the second level of fair value hierarchy for the above financial liabilities.

2. Closing Fair Value of Assets Measured at Fair Value of the Group

Items	Fair value measurement in first level	Closing balance		Total
		Fair value measurement in second level	Fair value measurement in third level	
I. Persistent fair value measurement				
Available- for-sale financial assets	2,200,652,330.85	-	-	2,200,652,330.85
Investment properties	-	-	70,831,000,000.00	70,831,000,000.00
Total assets measured continuously at fair value	2,200,652,330.85	-	70,831,000,000.00	73,031,652,330.85
Items	Fair value measurement in first level	Opening balance		Total
		Fair value measurement in second level	Fair value measurement in third level	
I. Persistent fair value measurement				
Investment properties	-	-	66,948,000,000.00	66,948,000,000.00
Total assets measured continuously at fair value	-	-	66,948,000,000.00	66,948,000,000.00

For the current year and prior year, there was no mutual transfer between the fair value levels.

3. Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3

The Group's valuation techniques used for investment properties are as follows:

We use the income approach for the valuation of the completed properties put into use: With reference to the market monthly rent of lettable area per unit (per square meter) of the completed properties or the expected rental income based on market condition, adopt an appropriate capitalization rate to discount to determine the valuation value of investment properties.

We use direct comparison approach for the valuation of the properties under construction at an early development stage: Based on the income that can be received immediately on disposal of investment properties in its current state, with reference to the relevant information on the comparable transactions in the market where the investment properties are located, and depending on the specific condition of the completed properties, make adjustments.

We use hypothetical development method for the valuation of investment properties at other stages of development: Assuming that such investment properties will be developed to the condition for use according to the established development plan. In order to obtain their fair value, a direct comparison is made by taking into account the available and comparable sales data in the relevant markets and deducting the construction costs and professional costs incurred by the valuer from the Valuation date to the date of completion of development.

The fair value of the Group's investment properties as at 31 December 2017 and 31 December 2016 were assessed by Wanlong (Shanghai) Asset Valuation Company Limited, an independent valuer from the Group. In estimating the fair value of the properties, the best use purpose of investment properties is its current use. There is no change in the valuation methods used.

The following table provides basic information on how to determine the fair value of the investment property, including valuation techniques, input(s), and significant unobservable input(s) and range used in the fair value measurement.

Investment properties held by the Group	Fair value hierarchy	Valuation technique(s)	Input(s)	Significant unobservable input(s) and range
Completed properties	Level 3	Income approach	Market rent per month of unit area leasable (per square meter) Capitalization rate	Market rent per month of unit area leasable (per square meter) Capitalization rate End of the current year: RMB22 to RMB290 End of the prior year: RMB12 to RMB295 End of the current year: 5.5% to 8.0% End of the prior year: 5.5% to 8.0%
Properties under construction at an early development stage	Level 3	Direct comparison approach	Unit area price of investment real estate (per square meter)	Unit area price of investment real estate (per square meter) End of the current year: RMB525 to RMB6,403 End of the prior year: RMB2,169 to RMB4,369
Other properties under construction	Level 3	Assumption approach	Market rent per month of unit area leasable (per square meter) Capitalization rate	Market rent per month of unit area leasable (per square meter) Capitalization rate End of the current year: RMB34 to RMB44 End of the prior year: RMB34 to RMB89 End of the current year: 6.5% to 7.0% End of the prior year: 6.5% to 7.0%

If the market monthly rent of lettable area per unit used in the valuation is increased and the other variables remain unchanged, the valuation of the fair value may have an increase, and vice versa.

If the capitalization rate used in the valuation is increased and the other variables remain unchanged, the valuation of the fair value may suffer a decrease, and vice versa.

If the price per unit area of investment properties used in the valuation is increased and the other variables remain unchanged, the valuation of the fair value may have an increase, and vice versa.

4. Adjustment Information of Carrying Amounts between the Beginning of Year and the End of Year for Recurring Fair Value Measurements categorised within Level 3

Item	Opening balance	Transferred into level 3	Transferred into level 3	Total gain or loss for the year		Purchase, issue, sell and settle				Closing balance	For the assets held at the end of the reporting period, the changes in the current unrealized profit or loss included in the current profits or losses
				Included in profit or loss	Included in other comprehensive income	Purchase	Issue	Sell	Settle		
Investment properties	66,948,000,000.00	-	-	1,996,188,694.30	-	4,768,711,322.00	-	(2,881,900,016.30)	-	70,831,000,000.00	1,985,661,070.69

(X) RELATED PARTIES AND RELATED PARTY TRANSACTIONS**1. Parent of the Company**

RMB

Parent company name	Related relationship	Company type	Place of incorporation	Legal representative	Nature of business	Registered capital	Equity proportion of the parent in the Company	Voting rights proportion of the parent in the Company	Ultimate controlling party of the Company	Organization code
RSM Holding	Parent of the Company	Limited liability company	Shanghai, China	Che Jianxing	Investment management	RMB200 Million	68.44%	68.44%	Che Jianxing	66071460-7

2. Subsidiaries of the Company

For details of the subsidiaries of the Company, please refer to Note (VII).1.

3. Joint Ventures and Associates of the Company

For details of the joint ventures and associates of the Company, please refer to Notes (V).10. and (VII).3.

4. Other Related Parties of the Company

Name of other related parties	Relationship between other related parties and the Company
Chen Shuhong	Family member who has a close relationship with the ultimate actual controller
Che Jianfang	Family member who has a close relationship with the ultimate actual controller
Qian Yumei	Family member who has a close relationship with the ultimate actual controller
Che Guoxing	Family member who has a close relationship with the ultimate actual controller
Red Star Furniture Group	Corporate controlled by the ultimate actual controller
Changzhou Red Star Furnishing Mall ("Changzhou Furnishing Mall")	Corporate controlled by the ultimate actual controller
Changzhou Red Star Furniture Plant Co., Ltd. ("Red Star Furniture Plant")	Corporate controlled by the family member who has a close relationship with the ultimate actual controller
Jining Hongrui Real Estate Co., Ltd. ("Jining Hongrui")	Corporate controlled by the family member who has a close relationship with the ultimate actual controller
Shaanxi Hongrui Home Furnishing Plaza Company Limited ("Shaanxi Hongrui")	Corporate controlled by the family member who has a close relationship with the ultimate actual controller
Xuzhou Red Star Macalline Global Home Furnishing Plaza Company Limited ("Xuzhou Furnishing Plaza")	Corporate controlled by the family member who has a close relationship with the ultimate actual controller
Xuzhou Red Star Macalline International Home Furnishing Mall Company Limited ("Xuzhou Home Furnishing Mall")	Corporate controlled by the family member who has a close relationship with the ultimate actual controller
Yangzhou Kailong Consulting Co., Ltd. ("Yangzhou Kailong")	Corporate controlled by the family member who has a close relationship with the ultimate actual controller

Name of other related parties	Relationship between other related parties and the Company
Yangzhou Red Star Macalline Global Home Furnishings Plaza Property Co., Ltd. ("Yangzhou Property")	Corporate controlled by the family member who has a close relationship with the ultimate actual controller
Xinghua Xingkai Home Furnishing Plaza Company Limited ("Xinghua Xingkai")	Corporate significantly influenced by the family member who has a close relationship with the ultimate actual controller
Xi'an Red Star Jiaxin Home Furnishing Company Limited ("Xi'an Jiaxin")	Corporate significantly influenced by the ultimate actual controller
Chongqing Red Star Macalline Enterprise Development Co., Ltd. ("Chongqing Qifa")	Corporate held by RSM Holding
Shanghai Dingxing Investment Management Co., Ltd. ("Dingxing Investment")	Corporate held by RSM Holding
Shanghai Aegean Retail Group Co., Ltd. ("Shanghai Aegean")	Corporate held by RSM Holding
Shanghai Xingcheng Yijia Home Furnishing Co., Ltd. ("Xingcheng Yijia")	Corporate held by RSM Holding
Chengdu Property	Subsidiary of Chongqing Qifa
Shanghai Red Star Macalline Property Company Limited. ("Shanghai Property")	Subsidiary of Chongqing Qifa
Shanxi Yatai Shengjing Real Estate Development Co., Ltd. ("Shanxi Yatai")	Subsidiary of Chongqing Qifa
Ningbo Kailong Properties Co., Ltd. ("Ningbo Kailong")	Subsidiary of Chongqing Qifa
Shanghai Hongmei Property Company Limited ("Hongmei Properties") (Note 2)	Subsidiary of Chongqing Qifa
Shenyang Red Star Macalline Property Management Co., Ltd. ("Shenyang Macalline Property")	Subsidiary of Chongqing Qifa
Jinshan Home Furnishing (Note 2)	Subsidiary of Chongqing Qifa
Greenland Jinniu Real Estate	Joint venture of Chongqing Qifa
Wuhu Minghui Business Management Co., Ltd. ("Wuhu Minghui")	Subsidiary of a joint venture
Cao Zhongmin	Close family member of director, supervisor or senior management
Zhang Jianfang	Close family member of director, supervisor or senior management
Zhu Qingling	Close family member of director, supervisor or senior management
Changzhou Yizhi Furniture Company Limited ("Changzhou Yizhi")	Corporate controlled by close family member of director, supervisor or senior management
Business Division of Nanjing Pukou Lilicheng Furniture ("Lilicheng Furniture")	Corporate controlled by close family member of director, supervisor or senior management
Ningbo Longkai (Note 1)	Corporate for which Che Guoxing works
Ningbo Aoyang	Corporate for which Che Guoxing works

Note 1: On 23 January 2017, Che Guoxing stopped serving as a director of Ningbo Longkai, since then, Ningbo Longkai was not a related party.

Note 2: Hongmei Properties was spun off in 2017 and Jinshan Home Furnishing was then set up (while Hongmei Properties still existed), and the property right of shopping malls will be owned by Jinshan Home Furnishing after the completion of the spin-off. In October 2017, the Group acquired 100% equity interest in Jinshan Home Furnishing, details of which are set out in Note (VI).2.

5. Related Party Transactions

(1) Purchase and sale of goods, provision and receipt of services

RMB

Related Parties	Details of Connected Transactions	Pricing and Decision-making Methods for Connected Transactions	Amount Recognized in the Current Year	Amount Recognized in the Prior Year
Ningbo Aoyang	Revenue from annual consulting and management service titled the Company's name for the project	Agreed price	2,285,658.68	2,500,562.26
Yangzhou Property	Revenue from annual consulting and management service titled the Company's name for the project	Agreed price	1,886,792.40	1,979,530.06
Jining Hongrui	Revenue from annual consulting and management service titled the Company's name for the project	Agreed price	3,792,442.94	3,830,694.47
Xuzhou Home Furnishing Mall	Revenue from annual consulting and management service titled the Company's name for the project	Agreed price	1,433,962.32	1,443,396.23
Ningbo Longkai	Revenue from annual consulting and management service titled the Company's name for the project	Agreed price	N/A	865,995.63
Wuhu Minghui	Revenue from annual consulting and management service titled the Company's name for the project	Agreed price	2,830,188.72	2,886,792.48
Xuzhou Furnishing Plaza	Revenue from annual consulting and management service titled the Company's name for the project	Agreed price	2,339,622.72	2,405,660.38
Shaanxi Hongrui	Revenue from annual consulting and management service titled the Company's name for the project	Agreed price	2,830,188.72	2,886,792.48
Greenland Jinniu Real Estate	Revenue from annual consulting and management service titled the Company's name for the project	Agreed price	3,773,584.92	3,905,660.37
Xinghua Xingkai	Revenue from annual consulting and management service titled the Company's name for the project	Agreed price	1,886,792.45	1,385,648.78
Total			23,059,233.87	24,090,733.14
Shanxi Yatai	Design consultation income	Agreed price	1,723,273.58	-
Hongmei Properties	Design consultation income	Agreed price	427,924.52	-
Ningbo Kailong	Design consultation income	Agreed price	2,015,532.92	-
Total			4,166,731.02	-

RMB

Related Parties	Details of Connected Transactions	Pricing and Decision-making Methods for Connected Transactions	Amount Recognized in the Current Year	Amount Recognized in the Prior Year
Xuzhou Home Furnishing Mall	Xingyi Tonghui Commission income regarding prepaid cards	Agreed price	8,181.89	73,857.62
Shaanxi Hongrui	Xingyi Tonghui Commission income regarding prepaid cards	Agreed price	23,194.13	99,939.24
Chengdu Dongtai	Xingyi Tonghui Commission income regarding prepaid cards	Agreed price	114,322.64	212,304.76
Wuhu Minghui	Xingyi Tonghui Commission income regarding prepaid cards	Agreed price	211,458.15	428,633.40
Yangzhou Kailong	Xingyi Tonghui Commission income regarding prepaid cards	Agreed price	125,142.22	620,853.36
Total			482,299.03	1,435,588.38
Red Star Furniture Plant	Service income	Agreed price	–	43,756.58
Dingxing Investment	Service income	Agreed price	–	3,495.15
Shanghai Real Estate	Service income	Agreed price	–	207,961.17
Xiamen Baoxiang	Service income	Agreed price	113,822.64	–
Haier Consumer Finance	Service income	Agreed price	927,979.84	–
Cao Zhongmin	Service income	Agreed price	3,144.65	–
Qian Yumei	Service income	Agreed price	2,830.19	–
RSM Holding	Service income	Agreed price	7,115.09	–
Shanghai Aegean	Service income	Agreed price	131,844.66	–
Total			1,186,737.07	255,212.90
Chengdu Dongtai	Revenue from sales of goods	Agreed price	–	32,136.75
Hongmei Properties	Revenue from sales of goods	Agreed price	–	14,256.41
Shenzhen Red Star	Revenue from sales of goods	Agreed price	–	4,660.19
Total			–	51,053.35
Cao Zhongmin	Loan interest income	Agreed price	28,222.24	–
Zhu Qingling	Loan interest income	Agreed price	365,566.05	–
Total			393,788.29	–
Wuhu Minghui	Joint marketing income	Agreed price	115,066.04	–
Yangzhou Kailong	Joint marketing income	Agreed price	310,254.72	–
Total			425,320.76	–

RMB

Related Parties	Details of Connected Transactions	Pricing and Decision-making Methods for Connected Transactions	Amount Recognized in the Current Year	Amount Recognized in the Prior Year
Xuzhou Furnishing Plaza	Revenue from advertising lease	Agreed price	118,857.15	–
Jining Hongrui	Revenue from advertising lease	Agreed price	112,380.95	–
Shaanxi Hongrui	Revenue from advertising lease	Agreed price	85,444.75	–
Yangzhou Kailong	Revenue from advertising lease	Agreed price	188,679.24	–
Wuhu Minghui	Revenue from advertising lease	Agreed price	704,132.45	–
Total			1,209,494.54	–
Red Star Furniture Plant	Purchase of goods	Agreed price	226,205.13	–
Total			226,205.13	–
Shenyang Macalline Property	Service costs	Agreed price	1,912,000.00	–
Total			1,912,000.00	–

(2) Particulars of connected leasing

Statement of the Company as the lessor:

RMB

Lessor's name	Lessee's name	Details on lease asset	Inception date of lease	Expiration date of lease	Revenue from operating leases		Determination basis of lease charge
					Amount recognized in the current year	Amount recognized in the prior year	
Nanjing Furnishing City	Qian Yumei	Shop(s) in shopping mall	1 January 2011	16 May 2017	130,545.33	539,757.89	Contract agreement
Nanjing Mingdu	Qian Yumei	Shop(s) in shopping mall	1 January 2011	31 July 2018	600,856.60	684,828.23	Contract agreement
Changzhou Macalline	Cao Zhongmin	Shop(s) in shopping mall	1 November 2012	31 March 2018	14,498.01	16,564.15	Contract agreement
Changzhou Home World	Cao Zhongmin	Shop(s) in shopping mall	1 June 2012	31 March 2018	797,935.50	1,622,279.37	Contract agreement
Changzhou Home World	Changzhou Yizhi	Shop(s) in shopping mall	1 April 2017	31 March 2018	456,948.00	–	Contract agreement
Changzhou Macalline	Zhang Jianfang	Shop(s) in shopping mall	1 August 2015	31 May 2018	188,835.36	180,694.80	Contract agreement
Wuxi Binghu	Cao Zhongmin	Shop(s) in shopping mall	31 December 2015	6 February 2016	–	49,715.12	Contract agreement
Shanghai Jinshan	Red Star Furniture Plant	Shop(s) in shopping mall	1 May 2016	15 June 2016	–	32,348.25	Contract agreement
Nanjing International Home Living	Lilicheng Furniture	Shop(s) in shopping mall	30 December 2017	29 December 2018	2,724.06	–	Contract agreement
Total					2,192,342.86	3,126,187.81	

Statement of the Company as the lessee:

RMB

Lessor's name	Lessee's name	Details on lease asset	Inception date of lease	Expiration date of lease	Lease expense		Determination basis of lease charge
					Amount recognized in the current year	Amount recognized in the prior year	
Changzhou Furnishing City	Changzhou Macalline	Shopping mall(s)	1 April 2011	31 March 2021	16,391,971.47	15,950,683.10	Contract agreement
Che Guoxing	Beijing Shibo Furniture	Dormitory	1 January 2014	31 December 2017	336,000.00	336,000.00	Contract agreement
Hongmei Properties (Note)	Shanghai Jinshan	Shopping mall(s)	1 May 2016	30 April 2019	313,365.05	4,666,666.70	Contract agreement
Jinshan Home Furnishing (Note)	Shanghai Jinshan	Shopping mall(s)	1 May 2016	30 April 2019	7,623,142.84	–	Contract agreement
Shenzhen Red Star	Glory Casa	Exhibition space	1 September 2017	31 December 2017	2,378,892.00	–	Contract agreement
Chengdu Dongtai	Betterhome Decoration	Exhibition space	10 September 2016	31 August 2018	176,549.60	54,657.82	Contract agreement
Total					<u>27,219,920.96</u>	<u>21,008,007.62</u>	

Note: Hongmei Properties was spun off in 2017 and Jinshan Home Furnishing was then set up, and the property right of shopping malls will be owned by Jinshan Home Furnishing after the completion of the spin-off. In October 2017, the Group acquired 100% equity interest in Jinshan Home Furnishing, details of which are set out in Note (VI).2.

(3) Guarantees with related parties

RMB

Guarantor	Guaranteed party	Amount of guarantees		Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed by the end of the current year
		Closing balance	Opening balance			
Providing guarantees:						
Borrowings:						
Beijing International Furniture (Note 1)	Haier Consumer Finance	–	125,000,000.00	4 August 2015	4 August 2018	Yes
The Company (Note 2)	Haier Consumer Finance	400,000,000.00	125,000,000.00	8 November 2016	8 November 2019	No
The Company (Note 3)	Chengdu Dongtai	–	98,000,000.00	24 February 2012	24 February 2017	Yes
Sub-total		<u>400,000,000.00</u>	<u>348,000,000.00</u>			
Guarantees accepted:						
Borrowings:						
Che Jianxing, Chen Shuhong and RSM Holding (Note 4)	The Company	300,000,000.00	–	25 July 2017	25 July 2020	No
Che Jianxing (Note 5)	Hongxin Oukai	255,000,000.00	305,000,000.00	4 March 2014	19 February 2019	No
Che Jianxing (Note 6)	Chongqing Expo Home Furnishing	367,500,000.00	390,000,000.00	8 June 2016	8 June 2026	No
Che Jianxing (Note 7)	Tianjin International Expo	–	80,000,000.00	24 December 2013	29 November 2023	Yes
Che Jianxing, RSM Holding and Red Star Furniture Group (Note 8)	Beijing Shibo Furniture	583,035,125.07	642,175,705.65	9 October 2012	9 October 2022	No
Red Star Furniture Group (Note 9)	Changzhou Home World	–	75,000,000.00	10 September 2007	27 October 2017	Yes
Red Star Furniture Group (Note 10)	Wuxi Red Star	–	200,000,000.00	30 October 2008	20 December 2019	Yes
Che Jianxing, Red Star Furniture Group and RSM Holding (Note 11)	Shenyang Red Star	–	208,627,721.69	22 September 2009	22 September 2019	Yes
Sub-total		<u>1,505,535,125.07</u>	<u>1,900,803,427.34</u>			

- Note 1:* On 25 July 2015, Beijing International Furniture* (北京國際家具), a subsidiary of the Company, based on its shareholding percentage in associate Haier Consume Financing, provided a guarantee of RMB375,000,000.00 to Haier Consume Financing against the loan of RMB1,500,000,000.00 lent by Haier Consume Financing to Haier Group Finance Co., Ltd.* (海爾集團財務責任有限公司). Among the guarantee amount, RMB225,000,000.00 was provided by Beijing International Furniture to Haier Consume Financing by way of the pledge of its 25% equity interests in Haier Consume Financing. The remaining RMB150,000,000.00 was provided by Beijing International Furniture by way of joint and several liability guarantees for a term of 3 years. By the end of the prior year, the balance of borrowings was RMB500,000,000.00, which was fully repaid in 2017.
- Note 2:* On 8 November 2016, the Company provided 25% joint and several liability guarantees against the loan of RMB2,500,000,000.00 lent by Haier Consume Financing to Haier Group Finance Co., Ltd. for a term of 3 years. For the current year and prior year, the balance of borrowings was RMB1,600,000,000.00 and RMB500,000,000.00, respectively.
- Note 3:* Chengdu Dongtai, the joint venture of Company, has set up Property Income Right Trust with its property lease income right. The Trust is managed, used and handled by Sichuan Trust Co., Ltd. in accordance with the terms of the trust contract. The guarantee of such loan was provided by the Company and is pledged with the operating property income right and mortgaged by intangible assets of Chengdu Dongtai for a term of 5 years. As at 31 December 2016, the balance of borrowings was RMB98,000,000.00. In February 2017, the property income right trust was over.
- Note 4:* The guarantee of such borrowings was provided by Che Jianxing, Chen Shuhong and RSM Holding by way of joint and several liability guarantees of a maximum of RMB500,000,000.
- Note 5:* The loan is also secured by Hongxin Oukai's investment property.
- Note 6:* The loan is also secured by Chongqing Expo Home Furnishing's investment property.
- Note 7:* The loan is also secured by Tianjin International Expo's investment property. The Group has early repaid such loan in full in the current year.
- Note 8:* The loan is also secured by Beijing Shibo Furniture's investment property, and is pledged with cash and bank and all operating revenues of shopping malls during the loan period.
- Note 9:* The loan is also secured by Changzhou Home World's investment property and such guarantee has been expired during the year.
- Note 10:* The guarantee of such borrowings was provided by Red Star Furniture Group of a maximum of RMB350,000,000 and was pledged with the investment properties owned by Wuxi Red Star. The guarantee obligation has been released upon completion of the pledge procedure.
- Note 11:* The loan is also secured by Shenyang Red Star's investment property, and is pledged with cash and bank and all operating revenues of shopping malls during the loan period. The Group has early repaid such loan in full in the current year.

(4) Loans and borrowings of the related parties

RMB

Related parties	Lending amount	Inception date	Expiration date	Closing balance	Remarks
Current year					
Borrowed from					
Shenzhen Red Star	–	Nil	Nil	11,544,722.36	No rate and no fixed term
Greenland Jinniu Real Estate	35,343,647.75	Nil	Nil	9,019,918.53	No rate and no fixed term
Total	<u>35,343,647.75</u>			<u>20,564,640.89</u>	

APPENDIX II
FINANCIAL INFORMATION OF THE GROUP
RMB

Related parties	Lending amount	Inception date	Expiration date	Closing balance	Remarks
Lent to					
Shanghai Mingyi	7,800,000.50	Nil	Nil	105,400,000.50	No rate and no fixed term
Shaanxi Hongrui	3,645,231.60	Nil	Nil	12,040,969.93	No rate and no fixed term
Xiamen Baoxiang	-	Nil	Nil	22,500,000.00	No rate and no fixed term
Hangzhou Global	94,348,629.00	Nil	Nil	218,144,320.00	No rate and no fixed term
Nanchang Global Expo	84,970,532.70	Nil	Nil	84,970,532.70	No rate and no fixed term
Cao Zhongmin	800,000.00	15 June 2017	14 December 2017	-	12.7%
Zhu Qingling	10,000,000.00	13 February 2017	27 December 2017	-	9%
Total	<u>201,564,393.80</u>			<u>443,055,823.13</u>	

RMB

Related parties	Lending amount	Inception date	Expiration date	Closing balance	Remarks
Prior year					
Borrowed from					
Shenzhen Red Star	18,451.35	Nil	Nil	11,544,722.36	No rate and no fixed term
Greenland Jinniu Real Estate	<u>54,360,781.96</u>	Nil	Nil	<u>1,559,896.94</u>	No rate and no fixed term
Total	<u>54,379,233.31</u>			<u>13,104,619.30</u>	
Lent to					
Shanghai Mingyi	9,200,000.00	Nil	Nil	97,600,000.00	No rate and no fixed term
Ningbo Longkai	-	Nil	Nil	24,000,000.00	No rate and no fixed term
Shaanxi Hongrui	-	Nil	Nil	8,395,738.33	No rate and no fixed term
Xi'an Jiabin	-	Nil	Nil	50,000.00	No rate and no fixed term
Wuhan Zhengda	75,000,000.00	Nil	Nil	117,092,354.89	No rate and no fixed term
Xiamen Baoxiang	46,500,000.00	Nil	Nil	46,500,000.00	No rate and no fixed term
Hangzhou Global	<u>123,795,691.00</u>	Nil	Nil	<u>123,795,691.00</u>	No rate and no fixed term
Total	<u>254,495,691.00</u>			<u>417,433,784.22</u>	

(5) Compensation for key management personnel

The remuneration of each director for the current year are set out as follows:

	Directors' fees RMB'000	Salaries and allowances RMB'000	Bonuses RMB'000	Pensions RMB'000	Social insurance and reserve funds other than pensions RMB'000	Total RMB'000
Executive directors:						
Che Jianxing	-	6,618.00	1,650.00	46.00	42.00	8,356.00
Zhang Qi	-	6,000.00	1,640.00	46.00	42.00	7,728.00
Che Jianfang	-	2,418.00	1,200.00	46.00	42.00	3,706.00
Jiang Xiaozhong	-	1,818.00	2,375.00	46.00	42.00	4,281.00
Non-executive directors:						
Chen Shuhong	-	1,218.00	500.00	46.00	42.00	1,806.00
Xu Guofeng	-	-	-	-	-	-
Joseph Raymond Gagnon	-	-	-	-	-	-
Zhang Qiqi	-	-	-	-	-	-
Independent non-executive directors:						
Li Zhenning	600.00	-	-	-	-	600.00
Ding Yuan	800.00	-	-	-	-	800.00
Lee Kwan Hung	600.00	-	-	-	-	600.00
Qian Shizheng	600.00	-	-	-	-	600.00
Total	<u>2,600.00</u>	<u>18,072.00</u>	<u>7,365.00</u>	<u>230.00</u>	<u>210.00</u>	<u>28,477.00</u>

The remuneration of each director for the prior year are set out as follows:

	Directors' fees RMB'000	Salaries and allowances RMB'000	Bonuses RMB'000	Pensions RMB'000	Social insurance and reserve funds other than pensions RMB'000	Total RMB'000
Executive directors:						
Che Jianxing	-	6,618.00	1,650.00	42.37	40.98	8,351.35
Zhang Qi	-	6,000.00	1,500.00	42.37	40.98	7,583.35
Che Jianfang	-	2,418.00	1,205.00	42.37	40.98	3,706.35
Jiang Xiaozhong	-	1,818.00	3,600.00	42.37	40.98	5,501.35
Non-executive directors:						
Chen Shuhong	-	1,218.00	400.00	42.37	40.98	1,701.35
Xu Guofeng	-	-	-	-	-	-
Joseph Raymond Gagnon	-	-	-	-	-	-
Zhang Qiqi	-	-	-	-	-	-
Independent non-executive directors:						
Li Zhenning	600.00	-	-	-	-	600.00
Ding Yuan	800.00	-	-	-	-	800.00
Lee Kwan Hung	600.00	-	-	-	-	600.00
Qian Shizheng	300.00	-	150.00	-	-	450.00
Total	<u>2,300.00</u>	<u>18,072.00</u>	<u>8,505.00</u>	<u>211.85</u>	<u>204.90</u>	<u>29,293.75</u>

The remuneration of each supervisor for the current year are set out as follows:

	Supervisors' fees	Salaries and allowances	Bonuses	Pensions	Social insurance and reserve funds other than pensions	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Pan Ning	-	1,218.00	584.00	46.00	42.00	1,890.00
Ng Ellen Hoi Ying	-	-	-	-	-	-
Chao Yanping	-	710.00	-	46.00	42.00	798.00
Chen Gang	180.00	-	-	-	-	180.00
Zheng Hongtao	180.00	-	-	-	-	180.00
Total	<u>360.00</u>	<u>1,928.00</u>	<u>584.00</u>	<u>92.00</u>	<u>84.00</u>	<u>3,048.00</u>

The remuneration of each supervisor for the prior year are set out as follows:

	Supervisors' fees	Salaries and allowances	Bonuses	Pensions	Social insurance and reserve funds other than pensions	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Pan Ning	-	1,218.00	300.00	42.37	40.98	1,601.35
Ng Ellen Hoi Ying	-	-	-	-	-	-
Chao Yanping	-	710.40	-	42.37	40.98	793.75
Chen Gang	165.00	-	-	-	-	165.00
Zheng Hongtao	165.00	-	-	-	-	165.00
Total	<u>330.00</u>	<u>1,928.40</u>	<u>300.00</u>	<u>84.74</u>	<u>81.96</u>	<u>2,725.10</u>

Of the five individuals with the highest emoluments in the Company, four (prior year: four) were directors or supervisors of the Company for the year. The emoluments of the remaining one (prior year: one) for the year were within the following bands:

Bands	Number for the current year	Number for the prior year
HK\$5,000,001 to HK\$5,500,000 (equivalent to RMB4,180,000 to RMB4,597,000)	-	1
HK\$3,500,001 to HK\$4,000,000 (equivalent to RMB2,826,000 to RMB3,230,000)	<u>1</u>	<u>-</u>

For the current year and prior year, no directors or the five individuals with the highest emoluments in the Group waived their emoluments and no emoluments were paid as an inducement to join or upon joining the Group or as compensation for loss of office.

(6) Amounts Due from/to Related Parties

Amounts due from related parties

RMB

Items	Related party	Closing balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable	Xinghua Xingkai	248,333.39	12,416.67	-	-
	Xuzhou Home Furnishing Mall	10,000.00	500.00	30,196.05	1,509.80
	Shanghai Real Estate	-	-	3,600.00	-
	Total	258,333.39	12,916.67	33,796.05	1,509.80
Other receivables	Shanghai Mingyi	105,400,000.50	5,270,000.02	97,600,000.50	4,880,000.03
	Ningbo Longkai	N/A	N/A	24,000,000.00	1,200,000.00
	Shaanxi Hongrui	12,040,969.93	1,041,143.29	8,395,738.33	419,786.92
	Xi'an Jiaxin	N/A	N/A	50,000.00	2,500.00
	Wuhan Zhengda	N/A	N/A	10,303.05	515.15
	Xiamen Baoxiang	376,630.00	18,831.50	-	-
	Xuzhou Home Furnishing Mall	720,115.50	36,005.78	-	-
	Xuzhou Furnishing Plaza	1,145,053.90	57,252.70	-	-
	Shenzhen Red Star	811,586.35	40,579.32	-	-
	Chengdu Dongtai	390,000.00	19,500.00	-	-
	Wuhu Minghui	1,127,050.00	56,352.50	-	-
	Xingcheng Yijia	2,899,405.64	144,970.28	-	-
	Total	124,910,811.82	6,684,635.39	130,056,041.88	6,502,802.10
	Long-term receivables	Wuhan Zhengda	N/A	-	117,092,354.89
Xiamen Baoxiang		22,500,000.00	-	46,500,000.00	-
Hangzhou Global		218,144,320.00	-	123,795,691.00	-
Nanchang Global Expo		84,970,532.70	-	-	-
Total		325,614,852.70	-	287,388,045.89	-
Other non-current assets	Chengdu Property (Note)	247,705,000.00	-	247,705,000.00	-
	Total	247,705,000.00	-	247,705,000.00	-

Note: For the current year and prior year, other non-current assets of Chengdu Property were advances paid for the repurchase of the home furnishing shopping mall business segment of Greenland Jinniu Real Estate. For details, please refer to Note (V).19. and Note 2.

Amounts due to related parties

RMB

Items	Related party	Closing balance	Opening balance	
Other payables	Chongqing Qifa	–	30,988,965.89	
	Shenzhen Red Star	11,544,722.36	11,544,722.36	
	Greenland Jinniu Real Estate	9,019,918.53	1,559,896.94	
	Ningbo Aoyang	1,522,037.31	970,477.28	
	Ningbo Longkai	N/A	4,146,696.02	
	Zhuzhou Red Star	–	1,738,795.55	
	Cao Zhongmin	–	32,000.00	
	Chengdu Dongtai	467,221.94	444,381.59	
	Shaanxi Hongrui	–	5.20	
	Wuhu Minghui	1,046,382.16	301,560.20	
	Xuzhou Home Furnishing Mall	20,536.42	5.00	
	Yangzhou Kailong	212,862.59	182,209.20	
	Shanghai Jiazhan	999,000.00	–	
	Hongmei Properties	20,000,000.00	–	
	Total		44,832,681.31	51,909,715.23
	Advance from customers	Wuhu Minghui	684,246.58	684,246.58
Xuzhou Furnishing Plaza		365,435.37	385,631.43	
Greenland Jinniu Real Estate		2,610,045.66	2,610,045.66	
Jining Hongrui		902,377.29	922,366.77	
Ningbo Aoyang		18,466.67	1,039,007.94	
Xinghua Xingkai		850,342.47	992,009.11	
Red Star Furniture Plant		–	13,730.59	
Qian Yumei		113,450.41	46,061.60	
Cao Zhongmin		10,792.17	5,995.23	
Zhang Jianfang		16,575.98	30,115.80	
Total		5,571,732.60	6,729,210.71	

The unsettled amount is not guaranteed and will be settled in cash.

(7) Equity transfers and asset acquisitions

Please refer to Note (VI).3 for the Group's disposals of subsidiaries to related parties and Note (VI).2 for the acquisitions of assets from related parties.

(XI) COMMITMENTS AND CONTINGENCIES

1. Significant Commitments

(1) Capital commitments

RMB'000

Category	Closing balance	Opening balance
Contracted but not recognized in the financial statements:		
– Commitment for acquisition and construction of long-term assets	2,654,884	3,819,315
– Commitment for external investment	589,902	540,154
Total	<u>3,244,786</u>	<u>4,359,469</u>

(2) Operating lease commitments

As at the balance sheet date, the information on irrevocable operating lease contracts entered into between the Group (as a lessee) and external parties are as follows:

RMB'000

Category	Closing balance	Opening balance
Minimum lease payment under irrevocable operating lease:		
First year after the balance sheet date	636,533	529,273
Second year after the balance sheet date	593,895	549,486
Third year after the balance sheet date	559,792	505,373
Subsequent years	3,448,280	3,515,134
Total	<u>5,238,500</u>	<u>5,099,266</u>

As at the balance sheet date, the information on irrevocable operating lease contracts entered into between the Group (as a lessor) and tenants are as follows:

RMB'000

Category	Closing balance	Opening balance
Future lease payment under irrevocable operating lease:		
First year after the balance sheet date	3,561,051	3,280,715
First year after the balance sheet date	58,306	258,927
Total	<u>3,619,357</u>	<u>3,539,642</u>

2. Contingencies

(1) Contingent liabilities and its financial implications arising from pending litigations and arbitrations

In February 2014, Ruiyi International Culture Communication (Beijing) Co., Ltd.* (瑞怡國際文化傳播(北京)有限公司) and Beijing Baoying Expo Public Relations Consultants Co., Ltd.* (北京寶盈博覽公關顧問有限公司) (hereinafter referred to as "Ruiyi International" and "Beijing Baoying") and Puhua Times (Beijing) International Advertising Media Co., Ltd.* (普華時代(北京)國際廣告傳媒有限公司) (hereinafter referred to as "Puhua Company") entrusted by the Company signed a cooperation agreement, under which, Ruiyi International and Beijing Baoying should arrange well-known sports stars and sports hosts at home and abroad to participate in the marketing activities organized by the Company. In May 2014, Ruiyi International and Beijing Baoying claimed that the Company and Puhua Company had breached the agreement in that they not paid in full and on time and do not confirm the activity scheduling, so they had filed a lawsuit in the People's Court in Chaoyang District, Beijing, requiring that the Company and Puhua Company continue to fulfill the cooperation agreement and jointly pay the arrears, liquidated damages and overdue payments totaling RMB18.7 million to the plaintiff. In December 2015, the Company and Puhua Company filed a counterclaim to claim that the other party breached the agreement after receiving the payment, requesting an order to terminate the cooperation agreement signed by the two sides, and asking the defendant of the counterclaim to compensate for their goodwill losses of 1 million yuan caused by the breach of contract and to pay the legal fare. On 19 July 2017, the People's Court in Chaoyang District ruled that the agreement shall be terminated; and that Ruiyi International and Beijing Baoying shall compensate the Company for the losses of 160,000 yuan, and shall return to Puhua Company the contract amount of 6.52 million yuan. In August 2017, Ruiyi International and Beijing Baoying filed an appeal to the Beijing Third Intermediate People's Court. The Company is unlikely to pay liquidated damages or indemnities on the basis of the available evidences and the legal advices.

In 2012, Nanjing Mingdu, a subsidiary of the Group, and tenant Gao Haixia signed a lease agreement, under which, Nanjing Mingdu agreed to rent out a booth in the shopping malls operated by it to Gao, with the lease period commencing from 18 July 2012 to 17 July 2013. After the expiration of the lease, the two parties of the agreement disputed on the renewal of the lease contract. After having repeatedly asked Gao Haixia to move out of the rental booth but all failed, Nanjing Mingdu filed a lawsuit in August 2013, to request the court to order that the defendant shall compensate for its losses caused by her illegal occupation of the booth. Both sides refused to accept the first-instance judgment made by the People's Court in Qinhuai District, Nanjing so they filed an appeal to the Intermediate People's Court of Nanjing, Jiangsu Province. In June 2014, the Intermediate Court revoked the original first-instance judgment and sent the case back for retrial. In August 2014, Gao Haixia filed a counterclaim, requiring Nanjing Mingdu to compensate for her total losses of 10.8 million yuan, including decoration losses of 3.2 million yuan, the goods losses of 5.6 million yuan, and losses caused by suspense of business of 2 million yuan. In 15 August 2017, the People's Court in Qinhuai District made a judgment on the counterclaim, ordered Nanjing Mingdu to compensate Gao Haixia for her total losses of 4.6381 million yuan, including decoration losses of 2.5651 million yuan, goods and office supplies losses of 2.072 million yuan. In the same month, Nanjing Mingdu instituted an appeal to the Nanjing Intermediate People's Court, who requested both parties to provide or supplement further evidence. The Company is unable to estimate the outcome of the case at the current stage on the basis of the available evidences and the legal advices.

In March 2012, the partner Changsha Ideal Real Estate Development Co., Ltd.* (長沙理想房地產開發有限公司) (hereinafter referred to as "Changsha Ideal") signed a project cooperation contract with the Company, for the cooperate in the construction and operation of furniture and building materials shopping mall projects in Changsha, under which Changsha Ideal provides the project land and the Company provides all the construction funds and is also responsible for applying for the approval of the projects. According to the contract, the Company shall commence construction before 18 July 2012, and complete and put shopping malls into operation before 18 January 2014. In March 2017, Changsha Ideal filed a lawsuit in the Hunan

Provincial Higher People's Court, claiming that the Company had not allocated construction funds for the projects and failed to open business before the agreed time. Then it changed claims in May and June, 2017 respectively, requesting to terminate the project cooperation contract with the Company. The Company has paid a non-refundable performance bond of RMB60 million, compensated liquidated damages of RMB137.4 million, and an expected return of RMB273.408 million to Changsha Ideal and bore fees for pit backfilling on sites and litigation costs and other related costs.

The Company believes that Changsha Ideal's performance of the cooperation contract constitutes a breach of contract, so it filed a counterclaim in April and May, 2017 at the Hunan Provincial Higher People's Court to request the termination of the project cooperation contract signed by the Company and Changsha Ideal, and require Changsha Ideal to refund to the Company twice the performance bonds of RMB120 million and RMB62.102 million which had been invested by the Company in the joint venture project, and compensate the Company for RMB6.534 million, 20% of the amount of litigious claim by the Company as well as bear attorney fees and other related costs of RMB1.6 million.

As of the date of approval of the financial statements, the case has completed the second pre-trial evidence exchange in count and cross-examination, and has been heard by the court with no ruling made. The Company believes, on the basis of the available evidences and the legal advices, that Changsha Ideal's claims won't be supported, and that the Company is unlikely to pay liquidated damages or indemnities.

Except for the above matters, the Company did not have any other contingent liabilities arising from the pending significant litigations or arbitrations at the end of the current year and prior year.

- (2) The contingent liabilities and its financial implications arising from the provision of debt guarantees for other entities

On 24 February 2012, the Company provided guarantee for Chengdu Dongtai, the joint venture of Company, to Sichuan Trust Co., Ltd.* (四川信託有限公司) to guarantee the borrowing of RMB400,000,000.00 under the Property Income Right Trust established by Chengdu Dongtai with its property lease income right and the trust revenue. Chengdu Dongtai has set up Property Income Right Trust with its property lease income right. The Trust is managed, used and handled by Sichuan Trust Co., Ltd. in accordance with the terms of the trust contract and is pledged with the operating property income right, and mortgaged by intangible assets of Chengdu Dongtai. On 31 December 2016, the balance of borrowings was RMB98,000,000.00. In February 2017, such Property Income Right Trust has ended.

On 25 July 2015, Beijing International Furniture* (北京國際家具), a subsidiary of the Company, based on its shareholding percentage in associate Haier Consume Financing, provided a guarantee of RMB375,000,000.00 to Haier Consume Financing against the loan of RMB1,500,000,000.00 lent by Haier Consume Financing to Haier Group Finance Co., Ltd.* (海爾集團財務責任有限公司). Among the guarantee amount, RMB225,000,000.00 was provided by Beijing International Furniture to Haier Consume Financing by way of the pledge of its 25% equity interests in Haier Consume Financing. The remaining RMB150,000,000.00 was provided by Beijing International Furniture by way of joint and several liability guarantees. At the end of the prior year, the balance of borrowings was RMB500,000,000.00, which has been repaid in full in 2017.

On 8 November 2016, the Company provided 25% joint and several liability guarantees against the loan of RMB2,500,000,000.00 lent by Haier Consume Financing to Haier Group Finance Co., Ltd. At the end of the current year and prior year, the balances of borrowings were RMB1,600,000,000.00 and RMB500,000,000.00 respectively.

For details in relation to the guarantees provided by the Company for bank borrowings obtained by its subsidiaries, please see Note (XIV), 13(2).

(XII) EVENTS AFTER THE BALANCE SHEET DATE

Pursuant to the proposal of the Board, as approved at the second extraordinary general meeting of the Company in 2016, and as permitted by China Securities Regulatory Commission via the Approval on the Initial Public Issuance of Shares by Red Star Macalline Group Corporation Ltd. (Zheng Jian Xu Ke [2017] No. 2373), the Company publicly issued no more than 315,000,000 domestic-listed RMB ordinary shares (A Shares) and became listed and traded on the Shanghai Stock Exchange. As at 17 January 2018, the Company completed the public issuance of 315,000,000 domestic-listed RMB ordinary shares (A Shares) with a par value of RMB1.00 per share at an issuance price of RMB10.23 per share. After such issuance, the paid-in capital (share capital) of the Company amounted to RMB3,938,917,038.00, representing 3,938,917,038 ordinary shares of RMB1.00 per share, including 2,561,103,969 domestic-listed RMB ordinary shares (A Shares) with restrictive conditions for sale, 315,000,000 domestic-listed RMB ordinary shares (A Shares) with no restrictive conditions for sale and 1,062,813,069 overseas-listed foreign shares (H Shares) with no restrictive conditions for sale. On 17 January 2018, the domestic-listed RMB ordinary shares (A Shares) publicly issued by the Company were listed and traded on the Shanghai Stock Exchange.

The Company convened the 23rd extraordinary meeting of the third session of the Board on 7 February 2018 to consider and passed the Resolution on the General Mandate for the Issuance of Domestic Debt Financing Instruments by the Company, and proposed the general meeting to authorize the Board of the Company and the authorized person of the Board to issue debt financing instruments with an issuance size of no more than RMB15 billion when appropriate. The abovementioned resolution is subject to the approval at the first extraordinary general meeting of the Company in 2018 to be convened on 25 April 2018.

(XIII) OTHER SIGNIFICANT EVENTS**1. Segment reporting**

According to the Group's internal organizational structure, management requirements and internal reporting system, the business operations of the Group are divided into four reporting segments, namely, the leasing and management section, the entrusted operation and management section, the merchandise sales segment and other segment, which are determined based on an internal management and reporting system. The management of the Group regularly evaluates the operating results of these reporting segments to decide on the allocation of resources to them and to evaluate their performance. Revenues from the main services provided by the respective reporting segments of the Group refer to income from Owned/Leased Portfolio Shopping Malls, and income related to entrusted operation and management of shopping malls (including revenue from the consulting and management service titled the Company's name for the early stage of the project, revenue from annual consulting and management service titled the Company's name for the project, commercial consultation fees and tenant sourcing commissions, and revenue from commerce and management consultancy fee), merchandise sales and other income.

The Group's revenue sources and non-current assets are located in mainland China.

The inter-segment transfer transactions are measured on the basis of the actual transaction price, and the segment revenue and segment costs are determined by the actual revenue and expenses of each segment.

Segment assets and liabilities, and other segment data are not presented as such information is not reported to the management on a regular basis and used for the purpose of resource allocation and performance evaluation.

At the end of the current year and prior year, the Group had no single customer who contributed more than 10% of the total income.

Segment reporting information is disclosed based on the accounting policies and measurement standards used by the segments to report to the management, which are consistent with the accounting and measurement basis for the preparation of financial statements.

The information on the total segment assets and liabilities is not used in the segment reporting of the Group.

(1) Reporting segment's information

RMB

	Own/leased portfolio shopping malls	Related to managed shopping malls	Sales of merchandise and related services	Current year		Inter-segment eliminations	Total
				Others	Unallocated item		
Revenue							
External revenue	6,394,481,799.81	3,628,735,577.78	294,256,196.34	642,039,095.84	-	-	10,959,512,669.77
Less: Taxes and surcharges	282,205,871.01	24,510,343.51	1,560,902.77	9,052,401.76	-	-	317,329,519.05
External revenue (after deducting business taxes and surcharges)	6,112,275,928.80	3,604,225,234.27	292,695,293.57	632,986,694.08	-	-	10,642,183,150.72
Inter-segment revenue	-	-	-	-	-	-	-
Total segment operating revenue	6,112,275,928.80	3,604,225,234.27	292,695,293.57	632,986,694.08	-	-	10,642,183,150.72
Less: Operating cost	1,460,260,678.12	1,309,961,489.99	202,426,401.48	190,544,946.79	-	-	3,163,193,516.38
Selling Expenses	1,053,466,814.00	357,421,594.86	67,588,171.53	35,352,808.75	-	-	1,513,829,389.14
Administrative expenses	551,169,073.45	416,045,618.47	101,842,126.33	229,020,436.68	63,710,944.11	-	1,361,788,199.04
Finance expenses	-	-	-	-	1,131,840,043.65	-	1,131,840,043.65
Impairment loss of assets	-	-	-	-	283,436,250.82	-	283,436,250.82
Add: Gains (losses) from changes in fair values	-	-	-	-	1,996,188,694.30	-	1,996,188,694.30
Investment income	-	-	-	-	633,897,111.33	-	633,897,111.33
Gain on disposal of assets	-	-	-	-	35,964,572.41	-	35,964,572.41
Other revenue	-	-	-	-	62,288,005.83	-	62,288,005.83
Operating profit (loss)	3,047,379,363.23	1,520,796,530.95	(79,161,405.77)	178,068,501.86	1,249,351,145.29	-	5,916,434,135.56
Add: Non-operating income	-	-	-	-	112,250,229.35	-	112,250,229.35
Less: Non-operating expense	-	-	-	-	42,647,769.39	-	42,647,769.39
Total profit (loss)	3,047,379,363.23	1,520,796,530.95	(79,161,405.77)	178,068,501.86	1,318,953,605.25	-	5,986,036,595.52
Less: Income tax expenses	-	-	-	-	1,708,022,775.23	-	1,708,022,775.23
Net profit (loss)	3,047,379,363.23	1,520,796,530.95	(79,161,405.77)	178,068,501.86	(389,069,169.98)	-	4,278,013,820.29
Depreciation of fixed assets	26,548,689.10	8,242,721.30	4,898,024.74	4,560,420.93	-	-	44,249,856.07
Intangible asset amortization	824,103.16	19,943,137.35	2,951,849.16	1,907,757.05	-	-	25,626,846.72
Amortization of long-term prepaid expenses	53,920,967.49	5,394,137.50	4,179,781.00	1,005,586.14	-	-	64,500,472.13

APPENDIX II
FINANCIAL INFORMATION OF THE GROUP
RMB

	Prior year						Total
	Own/leased portfolio shopping malls	Related to managed shopping malls	Sales of merchandise and related services	Others	Unallocated item	Inter-segment eliminations	
Revenue							
External revenue	5,975,408,447.86	2,781,961,557.47	208,035,886.32	470,675,863.64	-	-	9,436,081,755.29
Less: Taxes and surcharges	347,732,668.48	60,198,536.61	2,903,892.17	3,087,416.16	-	-	413,922,513.42
External revenue (after deducting business taxes and surcharges)	5,627,675,779.38	2,721,763,020.86	205,131,994.15	467,588,447.48	-	-	9,022,159,241.87
Inter-segment revenue	-	-	-	-	-	-	-
Total segment operating revenue	5,627,675,779.38	2,721,763,020.86	205,131,994.15	467,588,447.48	-	-	9,022,159,241.87
Less: Operating cost	1,365,223,286.17	933,461,525.43	134,553,224.76	179,529,475.31	-	-	2,612,767,511.67
Selling Expenses	809,868,503.66	310,941,367.42	53,062,155.55	31,825,560.96	-	-	1,205,697,587.59
Administrative expenses	462,601,252.60	334,111,680.24	44,650,303.97	50,924,656.43	42,790,994.22	-	935,078,887.46
Finance expenses	-	-	-	-	877,707,890.38	-	877,707,890.38
Impairment loss of assets	-	-	-	-	572,890,325.59	-	572,890,325.59
Add: Gains (losses) from changes in fair values	-	-	-	-	1,754,032,308.00	-	1,754,032,308.00
Investment income	-	-	-	-	130,896,456.03	-	130,896,456.03
Gain (loss) on disposal of assets	-	-	-	-	(4,615,478.68)	-	(4,615,478.68)
Operating profit (loss)	2,989,982,736.94	1,143,248,447.77	(27,133,690.13)	205,308,754.79	386,924,075.16	-	4,698,330,324.53
Add: Non-operating income	-	-	-	-	119,076,037.54	-	119,076,037.54
Less: Non-operating expense	-	-	-	-	15,888,661.20	-	15,888,661.20
Total profit (loss)	2,989,982,736.94	1,143,248,447.77	(27,133,690.13)	205,308,754.79	490,111,451.50	-	4,801,517,700.87
Less: Income tax expenses	-	-	-	-	1,128,075,879.79	-	1,128,075,879.79
Net profit (loss)	2,989,982,736.94	1,143,248,447.77	(27,133,690.13)	205,308,754.79	(637,964,428.29)	-	3,673,441,821.08
Depreciation of fixed assets	27,811,274.27	10,021,696.33	3,932,266.64	5,617,261.73	-	-	47,382,498.97
Intangible asset amortization	637,307.19	19,776,565.20	2,351,433.38	1,439,327.23	-	-	24,204,633.00
Amortization of long-term prepaid expenses	47,295,399.50	4,764,404.87	3,181,538.17	602,586.85	-	-	55,843,929.39

(XIV) NOTES TO THE MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY

1. Accounts Receivable

(1) Accounts receivable by categories:

RMB

Category	Book balance		Closing balance		Carrying amount
	Amount	Ratio (%)	Amount	Ratio (%)	
Accounts receivable that are individually significant and for which bad debts are provided for individually	608,400,174.73	51.87	533,574,668.96	87.70	74,825,505.77
Accounts receivable of insignificant individual amount but individually provided for bad debts	92,574,984.05	7.89	90,196,225.19	97.43	2,378,758.86
Accounts receivable for which bad debts are provided based on credit risk characteristics portfolio	472,017,246.60	40.24	64,464,285.32	13.66	407,552,961.28
Total	1,172,992,405.38	100.00	688,235,179.47	58.67	484,757,225.91

RMB

Category	Book balance		Opening balance		Carrying amount
	Amount	Ratio (%)	Amount	Ratio (%)	
Accounts receivable that are individually significant and for which bad debts are provided for individually	527,217,981.40	48.22	450,596,606.98	85.47	76,621,374.42
Accounts receivable of insignificant individual amount but individually provided for bad debts	78,493,283.52	7.18	76,788,489.52	97.83	1,704,794.00
Accounts receivable for which bad debts are provided based on credit risk characteristics portfolio	487,547,957.60	44.60	53,402,295.14	10.95	434,145,662.46
Total	1,093,259,222.52	100.00	580,787,391.64	53.12	512,471,830.88

Receivables that are individually significant provided for bad debts on individual basis at the end of the year:

RMB

Accounts receivable	Book balance	Closing balance		Reason for provision
		Amount of bad debt	Provision proportion	
		(%)		
Changzhou Wujin Construction Engineering Company Limited	55,000,000.00	55,000,000.00	100.00	The receivables are expected to be unrecoverable
Jiangsu Jiangzhong Group Company Limited	30,000,000.00	30,000,000.00	100.00	The receivables are expected to be unrecoverable
Jiangsu Jiangdu Construction Group Company Limited	16,000,000.00	16,000,000.00	100.00	The receivables are expected to be unrecoverable
Guangxi Sheng Li Decoration Engineering Company Limited	14,000,000.00	14,000,000.00	100.00	The receivables are expected to be unrecoverable
Shanghai Jiazhan Building and Decoration Engineering Company Limited	13,000,000.00	13,000,000.00	100.00	The receivables are expected to be unrecoverable
Jiangxi Lixin Real Estate Investment Group Company Limited	11,500,000.00	11,500,000.00	100.00	The receivables are expected to be unrecoverable
Guizhou Wanshang Real Estate Company Limited	11,000,000.00	11,000,000.00	100.00	The receivables are expected to be unrecoverable
Guangxi Yuanchen Hakka Cultural City Investment Company Limited	10,000,000.00	10,000,000.00	100.00	The receivables are expected to be unrecoverable
Nanning Runjia Real Estate Development Company Limited	10,000,000.00	10,000,000.00	100.00	The receivables are expected to be unrecoverable
Guangzhou Huanbo Exhibition Company Limited	9,666,667.68	9,666,667.68	100.00	The receivables are expected to be unrecoverable
Yangquan Haomen Real Estate Development Company Limited	9,246,575.34	9,246,575.34	100.00	The receivables are expected to be unrecoverable
Guizhou Jinyuan Huafu Real Estate Company Limited	9,000,000.00	9,000,000.00	100.00	The receivables are expected to be unrecoverable
Guizhou Wanjin Real Estate Company Limited	8,000,000.00	8,000,000.00	100.00	The receivables are expected to be unrecoverable
Jiangsu Construction Engineering Group Company Limited	11,000,000.00	11,000,000.00	100.00	The receivables are expected to be unrecoverable
Anhui Kaiyue Real Estate Development Company Limited	7,500,000.00	7,500,000.00	100.00	The receivables are expected to be unrecoverable
Guizhou Jinyuanda Real Estate Development Company Limited	7,500,000.00	7,500,000.00	100.00	The receivables are expected to be unrecoverable
Fuqing Xingrong Real Estate Company Limited	17,000,000.00	17,000,000.00	100.00	The receivables are expected to be unrecoverable
Shanxi Guangyu Investment Group Company Limited	7,500,000.00	7,500,000.00	100.00	The receivables are expected to be unrecoverable
Hong Kong Royal Family Holdings Limited	7,500,000.00	7,500,000.00	100.00	The receivables are expected to be unrecoverable
Chabohui Investment Company Limited	7,000,000.00	7,000,000.00	100.00	The receivables are expected to be unrecoverable
Ningde Lixin Real Estate Company Limited	7,000,000.00	7,000,000.00	100.00	The receivables are expected to be unrecoverable

RMB

Accounts receivable	Book balance	Closing balance		Reason for provision
		Amount of bad debt (%)	Provision proportion	
Wenzhou Honglian Home Furnishing Company Limited	6,665,479.46	6,665,479.46	100.00	The receivables are expected to be unrecoverable
Shenzhen Buji Sanlian Industrial Development Company Limited	6,273,965.27	6,273,965.27	100.00	The receivables are expected to be unrecoverable
Guizhou Xinfeng Pharmaceutical Company Limited	6,000,000.00	6,000,000.00	100.00	The receivables are expected to be unrecoverable
Shanxi Xinghe Real Estate Development Company Limited	6,000,000.00	6,000,000.00	100.00	The receivables are expected to be unrecoverable
Xuchang Fengtai Real Estate Company Limited	6,000,000.00	6,000,000.00	100.00	The receivables are expected to be unrecoverable
Yong'an Haoyuan Real Estate Company Limited	6,000,000.00	6,000,000.00	100.00	The receivables are expected to be unrecoverable
Yuyao Longding Commercial Plaza Company Limited	6,000,000.00	6,000,000.00	100.00	The receivables are expected to be unrecoverable
Xiangfan Yuanchi Industrial Company Limited	5,800,000.00	5,800,000.00	100.00	The receivables are expected to be unrecoverable
Hebei Jingao Real Estate Development Company Limited	5,500,000.00	5,500,000.00	100.00	The receivables are expected to be unrecoverable
Wuhan New Beacon Holdings Limited	5,500,000.00	5,500,000.00	100.00	The receivables are expected to be unrecoverable
Fenyi County Yongkang Real Estate Company Limited	5,000,000.00	5,000,000.00	100.00	The receivables are expected to be unrecoverable
Funan County Tianfu Real Estate Development Company Limited	5,000,000.00	5,000,000.00	100.00	The receivables are expected to be unrecoverable
Jiangxi Wengan Industrial Development Company Limited	5,000,000.00	5,000,000.00	100.00	The receivables are expected to be unrecoverable
Jinzhong Tianhe Real Estate Development Company Limited	5,000,000.00	5,000,000.00	100.00	The receivables are expected to be unrecoverable
Leshan Wutongqiao District Tiancheng Trading Company	5,000,000.00	5,000,000.00	100.00	The receivables are expected to be unrecoverable
Mudanjiang Changxing Real Estate Company Limited	5,000,000.00	5,000,000.00	100.00	The receivables are expected to be unrecoverable
Nantong Deer Logistics Company Limited	5,000,000.00	5,000,000.00	100.00	The receivables are expected to be unrecoverable
Sanmenxia Xindu Real Estate Company Limited	5,000,000.00	5,000,000.00	100.00	The receivables are expected to be unrecoverable
Shenzhen Zhongyi Shenfa Investment Development Company Limited	5,000,000.00	5,000,000.00	100.00	The receivables are expected to be unrecoverable
Tongren Jiacheng Real Estate Company Limited	5,000,000.00	5,000,000.00	100.00	The receivables are expected to be unrecoverable
Wuhan Zhifeng Real Estate Development Company Limited	5,000,000.00	5,000,000.00	100.00	The receivables are expected to be unrecoverable
Suzhou Haoyuan Household Information Company Limited	5,000,000.00	5,000,000.00	100.00	The receivables are expected to be unrecoverable
Yunnan Jindinggao Industrial Company Limited	5,000,000.00	5,000,000.00	100.00	The receivables are expected to be unrecoverable

RMB

Accounts receivable	Book balance	Closing balance		Reason for provision
		Amount of bad debt (%)	Provision proportion	
Zhejiang Ganghai Construction Group Company Limited	5,000,000.00	5,000,000.00	100.00	The receivables are expected to be unrecoverable
Baoding Fangbei Real Estate Development Company Limited	3,000,000.00	3,000,000.00	100.00	The receivables are expected to be unrecoverable
Jiangsu Hurun Real Estate Company Limited	1,800,000.00	1,800,000.00	100.00	The receivables are expected to be unrecoverable
The Second Construction Group Corporation Limited of Yancheng Jiangsu	82,600,000.00	56,600,000.00	68.52	Parts of the receivables are expected to be unrecoverable
Tonghua Kailong Commercial Plaza Company Limited	16,232,137.90	15,282,137.90	94.15	Parts of the receivables are expected to be unrecoverable
Yantai North Wenzhou City Development Company Limited	8,749,965.52	8,134,904.95	92.97	Parts of the receivables are expected to be unrecoverable
Guizhou Lingzhi Agricultural Group Real Estate Company Limited	11,250,000.00	10,350,000.00	92.00	Parts of the receivables are expected to be unrecoverable
Jilin Songyuan Feiyu Real Estate Development Company Limited	5,750,000.00	5,037,500.00	87.61	Parts of the receivables are expected to be unrecoverable
Hangzhou Kangsheng Trading Company Limited	7,500,000.00	6,300,000.00	84.00	Parts of the receivables are expected to be unrecoverable
Binzhou Yisen Real Estate Development Company Limited	7,451,000.00	5,076,000.00	68.13	Parts of the receivables are expected to be unrecoverable
Shijiazhuang Runxin Real Estate Development Company Limited	55,914,383.56	13,841,438.36	24.75	Parts of the receivables are expected to be unrecoverable
Total	608,400,174.73	533,574,668.96	87.70	

Accounts receivable for which bad debts are provided based on credit risk characteristics portfolio:

RMB

Items	Closing balance			Opening balance		
	Book balance	Bad debt provision	Provision Proportion (%)	Book balance	Bad debt provision	Provision Proportion (%)
Within 1 year	237,348,735.50	11,867,434.21	5.00	187,550,012.40	9,377,500.62	5.00
1 to 2 years	111,368,511.10	11,136,851.11	10.00	192,747,945.20	19,274,794.52	10.00
2 to 3 years	74,800,000.00	14,960,000.00	20.00	102,750,000.00	20,550,000.00	20.00
3 to 4 years	44,000,000.00	22,000,000.00	50.00	-	-	50.00
4 to 5 years	-	-	80.00	1,500,000.00	1,200,000.00	80.00
Over 5 years	4,500,000.00	4,500,000.00	100.00	3,000,000.00	3,000,000.00	100.00
Total	472,017,246.60	64,464,285.32	13.66	487,547,957.60	53,402,295.14	10.95

(2) Provision for the year (reversal) of bad debts

The impairment losses on accounts receivable amounted to RMB113,167,787.83. There is reversal of RMB5,720,000.00 provision for bad debt or recovery of impaired accounts receivable during the year.

The significant reversal of provision for bad debt or recovery of impaired accounts receivable during the year

RMB

Companies	Recovery or reversal amount	Recovery way
Liaoyang Hongmei Property Co., Ltd.	5,000,000.00	Recovering its receivable

(3) Top 5 account receivables at the end of the year

RMB

Companies	Book balance	Amount of bad debt	Proportion of total account receivables (%)
The Second Construction Group Corporation Limited of Yancheng Jiangsu	82,600,000.00	56,600,000.00	7.04
Shijiazhuang Runxin Real Estate Development Company Limited	55,914,383.56	13,841,438.36	4.77
Changzhou Wujin Construction Engineering Company Limited	55,000,000.00	55,000,000.00	4.69
Jiangsu Jiangzhong Group Company Limited	30,000,000.00	30,000,000.00	2.56
Fuqing Xingrong Real Estate Company Limited	17,000,000.00	17,000,000.00	1.45
Total	<u>240,514,383.56</u>	<u>172,441,438.36</u>	<u>20.51</u>

(4) The Company has no derecognized receivables out of transfer of financial assets at the end of the current year and prior year.

2. Other Receivables

(1) Other receivables disclosed by categories:

RMB

Category	Closing balance		Bad debt provision		Book value Amount
	Book balance Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables that are individually significant and for which bad debts are provided for individually	3,698,327,893.33	19.47	562,299,239.60	15.20	3,136,028,653.73
Other receivables of insignificant individual amount but individually provided for bad debts	7,422,683.33	0.04	7,350,000.00	99.02	72,683.33
Other receivables for which bad debts are provided based on credit risk characteristics portfolio	15,291,981,320.91	80.49	22,625,422.87	0.15	15,269,355,898.04
Including: Risk portfolio I	83,254.74	-	-	-	83,254.74
Risk portfolio II	198,673,425.12	1.05	9,933,671.25	5.00	188,739,753.87
Risk portfolio III	192,441,028.09	1.01	12,691,751.62	6.60	179,749,276.47
Risk portfolio IV (<i>Note</i>)	14,900,783,612.96	78.43	-	-	14,900,783,612.96
Total	18,997,731,897.57	100.00	592,274,662.47	3.12	18,405,457,235.10

RMB

Category	Opening balance		Bad debt provision		Book value Amount
	Book balance Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables that are individually significant and for which bad debts are provided for individually	3,071,124,851.57	17.33	449,150,939.60	14.62	2,621,973,911.97
Other receivables of insignificant individual amount but individually provided for bad debts	7,350,000.00	0.04	7,350,000.00	100.00	-
Other receivables for which bad debts are provided based on credit risk characteristics portfolio	14,639,676,114.83	82.63	16,405,849.22	0.11	14,623,270,265.61
Including: Risk portfolio I	85,211.82	-	-	-	85,211.82
Risk portfolio II	241,832,712.77	1.36	12,091,635.64	5.00	229,741,077.13
Risk portfolio III	42,348,543.44	0.24	4,314,213.58	10.19	38,034,329.86
Risk portfolio IV (<i>Note</i>)	14,355,409,646.80	81.03	-	-	14,355,409,646.80
Total	17,718,150,966.40	100.00	472,906,788.82	2.67	17,245,244,177.58

Note: Portfolio IV is the Company's receivables due from subsidiaries of the Group, except for the provided for bad debts in single item. The Company believes, this portfolio has minor credit risks, thus for which no bad debt is provided.

Other receivables that are individually significant and for which bad debts are provided for individually at the end of the year:

RMB

Other receivables	Book balance	Closing balance		Reason for provision
		Amount of bad debt	Provision proportion (%)	
Lizhuo Xingyu Television Media Advertising (Beijing) Company Limited	14,045,187.00	14,045,187.00	100.00	The receivables are expected to be unrecoverable
Weifang Kaili Real Estate Company Limited	12,000,000.00	12,000,000.00	100.00	The receivables are expected to be unrecoverable
Wuhan Red Star	668,742,429.66	100,000,000.00	14.95	Part of the receivables are expected to be unrecoverable
Tianjin Fashion	54,119,655.10	50,219,635.10	92.79	Part of the receivables are expected to be unrecoverable
Baotou Red Star	37,324,838.84	20,674,970.00	55.39	Part of the receivables are expected to be unrecoverable
Shanghai Home Furnishing Expo	694,030,004.07	129,552,550.73	18.67	Part of the receivables are expected to be unrecoverable
Chongqing Expo Home Furnishing	66,705,245.32	30,772,151.83	46.13	Part of the receivables are expected to be unrecoverable
Xingjia Building Materials	70,650,000.00	61,811,558.73	87.49	Part of the receivables are expected to be unrecoverable
Xingkai Chengpeng	1,147,945,032.57	17,874,886.21	1.56	Part of the receivables are expected to be unrecoverable
Shenyang Dadong	39,617,941.11	31,700,000.00	80.01	Part of the receivables are expected to be unrecoverable
Tianjin Shibo Home Furnishing	893,147,559.66	93,648,300.00	10.49	Part of the receivables are expected to be unrecoverable
Total	<u>3,698,327,893.33</u>	<u>562,299,239.60</u>	<u>15.20</u>	

Other receivables for which bad debts are provided based on credit risk characteristics portfolio:

Portfolio I:

RMB

Item	Closing balance			Opening balance		
	Book balance	Amount of bad debt	Provision proportion (%)	Book balance	Amount of bad debt	Provision proportion (%)
Portfolio I	<u>83,254.74</u>	<u>-</u>	<u>-</u>	<u>85,211.82</u>	<u>-</u>	<u>-</u>

Portfolio II: Bad debts are provided based on balance percentage method:

RMB

Item	Closing balance			Opening balance		
	Book balance	Amount of bad debt	Provision proportion (%)	Book balance	Amount of bad debt	Provision proportion (%)
Portfolio II	<u>198,673,425.12</u>	<u>9,933,671.25</u>	<u>5.00</u>	<u>241,832,712.77</u>	<u>12,091,635.64</u>	<u>5.00</u>

Portfolio III: Bad debts are provided based on aging percentage method:

RMB

Items	Closing balance			Opening balance		
	Book balance	Amount of bad debt	Provision proportion (%)	Book balance	Amount of bad debt	Provision proportion (%)
Within 1 year	176,103,519.74	8,805,175.99	5.00	16,958,995.02	847,949.75	5.00
1 to 2 years	537,369.93	53,736.99	10.00	18,729,458.55	1,872,945.86	10.00
2 to 3 years	14,428,435.24	2,885,687.05	20.00	5,789,089.87	1,157,817.97	20.00
3 to 4 years	500,703.18	250,351.59	50.00	871,000.00	435,500.00	50.00
4 to 5 years	871,000.00	696,800.00	80.00	-	-	80.00
Over 5 years	-	-	100.00	-	-	100.00
Total	<u>192,441,028.09</u>	<u>12,691,751.62</u>	<u>6.60</u>	<u>42,348,543.44</u>	<u>4,314,213.58</u>	<u>10.19</u>

- (2) Provision, recovery or reversal of bad debt provision for the current year

For the year, the provision for bad debts was RMB131,567,873.65, and there was no reversal of provision for bad debts or recovery of impaired accounts receivable.

- (3) Written-off of accounts receivables for the year

RMB

Companies	Nature of other accounts receivables	Amount written off	Reason for write off	Procedure of write off taken place at	Related party transactions
Xingjia Building Materials	Current accounts	<u>12,200,000.00</u>	Not recoverable	Record to tax authority	Yes

(4) Other receivables presented by nature:

RMB

Item	Closing balance	Opening balance
Loan and advances	18,350,585,536.74	17,207,044,737.02
– to related parties	18,127,791,121.28	17,070,228,771.07
– to non-controlling interests of subsidiaries	35,077,643.76	35,077,643.76
– to third parties	187,716,771.70	101,738,322.19
Deposits	53,728,096.62	35,879,078.18
Others	1,143,601.74	2,820,362.38
Total	18,405,457,235.10	17,245,744,177.58

(5) Particulars of the top five of other receivables at the end of the year:

RMB

Companies	Relationship with the Company	Closing balance	Percentage of the total other receivables (%)	Bad debt provision amount at the end of the period
Shanghai Xingkai Chengpeng Business Management Company Limited	Subsidiary	1,147,945,032.57	6.04	17,874,886.21
Tianjin Red Star Macalline International Home Furnishing Expo Company Limited	Subsidiary	1,022,223,347.08	5.38	–
Red Star Macalline Shibo (Tianjin) Home Furnishing Plaza Company Limited	Subsidiary	893,147,559.66	4.70	93,648,300.00
Shanghai Hongxin Oukai Home Furnishing Company Limited	Subsidiary	703,291,355.41	3.70	–
Shanghai Red Star Macalline Home Furnishing Design Expo Company Limited	Subsidiary	694,030,004.07	3.65	129,552,550.73
Total		4,460,637,298.79	23.47	241,075,736.94

(6) At the end of the current year and prior year, the Group has no other receivables involving government grants and other receivables derecognized due to the transfer of financial assets.

3. Long-term Equity Investments

(1) Details of long-term equity investments are as follows:

RMB

Investee	Accounting method	Closing balance	Opening balance	Dividend of long-term equity investment accounted for by cost method declared this year
Changzhou Macalline	Cost method	(1,955,167.87)	(1,955,167.87)	45,000,000.00
Changzhou Worldwide	Cost method	15,447,913.31	15,447,913.31	55,000,000.00
Wuxi Red Star	Cost method	47,998,405.33	47,998,405.33	23,400,000.00
Lianyungang Red Star	Cost method	3,465,415.12	3,465,415.12	-
Nanjing Furnishing Mall	Cost method	59,689,261.20	59,689,261.20	75,000,000.00
Nanjing Mingdu	Cost method	47,227,734.43	47,227,734.43	28,200,000.00
Shanghai Decoration Mall	Cost method	136,115,702.30	136,115,702.30	133,500,000.00
Shanghai Global Home Furnishing	Cost method	138,456,423.17	138,456,423.17	147,000,000.00
Hongxin Oukai	Cost method	92,508,623.92	92,508,623.92	-
Xinwei Property	Cost method	272,756,078.13	272,756,078.13	32,000,000.00
Shanghai Management	Cost method	(1,408,244.71)	(1,408,244.71)	162,000,000.00
Changsha Furniture	Cost method	5,000,000.00	5,000,000.00	17,500,000.00
Changsha Home Furnishing Expo	Cost method	871,353.75	871,353.75	-
Jinan Red Star	Cost method	71,243,669.12	71,243,669.12	12,000,000.00
Chengdu Red Star	Cost method	30,275,655.03	30,275,655.03	-
Zhengzhou Red Star	Cost method	15,300,000.00	15,300,000.00	45,000,000.00
Shanghai Decorating Market	Cost method	1,349,876.56	1,349,876.56	-
Zhengzhou Management	Cost method	510,000.00	510,000.00	-
Hangzhou Shibo Furniture	Cost method	20,000,000.00	20,000,000.00	39,000,000.00
Red Star Macalline Brand Management	Cost method	5,000,000.00	5,000,000.00	45,000,000.00
Chongqing Global Home Furnishing	Cost method	10,000,000.00	10,000,000.00	109,000,000.00
Chongqing Shibo Home Furnishing	Cost method	23,496,190.89	23,496,190.89	-
Wuhan Red Star	Cost method	552,878,664.00	552,878,664.00	-
Shanghai Home Furnishing Expo	Cost method	445,000,000.00	445,000,000.00	-
Yantai Red Star	Cost method	192,120,000.00	192,120,000.00	178,000.00
Shenyang Mingdu	Cost method	153,000,000.00	153,000,000.00	-
Chongqing Expo Home Furnishing	Cost method	280,000,000.00	280,000,000.00	-
Changsha Yinhong	Cost method	250,000,000.00	250,000,000.00	-
Shanghai Jingdu	Cost method	5,100,000.00	5,100,000.00	-
Tianjin Home Furnishings Plaza	Cost method	424,878,664.00	424,878,664.00	-
Panjin Red Star	Cost method	94,087,000.00	45,900,000.00	-
Red Star Consulting	Cost method	650,000.00	650,000.00	-
Shenyang Home Furnishing	Cost method	28,058,441.77	28,058,441.77	30,000,000.00
Xingkai Chengpeng	Cost method	10,000,000.00	1,000,000,000.00	280,000,000.00
Red Star Trading	Cost method	50,000,000.00	50,000,000.00	-
Harbin Red Star	Cost method	310,000,000.00	310,000,000.00	-
Chongqing Zhongkun	Cost method	55,000,000.00	55,000,000.00	-

RMB

Investee	Accounting method	Closing balance	Opening balance	Dividend of long-term equity investment accounted for by cost method declared this year
Yantai International	Cost method	–	5,000,000.00	–
Zhongshan shibo	Cost method	149,939,332.00	149,939,332.00	–
Shenyang Dadong	Cost method	3,000,000.00	3,000,000.00	–
Wuxi Home Furnishing	Cost method	534,817,995.00	534,817,995.00	–
Xi'an Home Furnishing	Cost method	30,000,000.00	30,000,000.00	–
Daqing Shibo Furniture	Cost method	70,000,000.00	70,000,000.00	–
Langfang Kaihong Home Living	Cost method	70,000,000.00	70,000,000.00	–
Wuhan Global Home Furnishing	Cost method	149,939,332.00	149,939,332.00	–
Beijing Century Kailong	Cost method	10,000,000.00	10,000,000.00	–
Tianjin Fashion	Cost method	5,000,000.00	5,000,000.00	–
Shanghai Red Star Ogloria	Cost method	500,000.00	500,000.00	–
Hefei Shibo Furniture	Cost method	349,848,330.00	349,848,330.00	–
Nanjing International Home Living	Cost method	764,016,993.00	764,016,993.00	–
Xingyitong	Cost method	150,000,000.00	150,000,000.00	–
Tianjin International Expo	Cost method	204,285,714.29	204,285,714.29	–
Tianjin World Trade	Cost method	200,000,000.00	200,000,000.00	–
Harbin International home furnishing	Cost method	349,817,995.00	349,817,995.00	–
Changchun Red Star	Cost method	47,600,000.00	47,600,000.00	–
Xizhao Investment	Cost method	90,000,000.00	90,000,000.00	–
Red Star Mall Management	Cost method	50,000,000.00	50,000,000.00	2,000,000,000.00
Yangzhou International	Cost method	3,000,000.00	3,000,000.00	10,000,000.00
Shanghai Longmei	Cost method	1,000,000.00	1,000,000.00	–
Sunan Construction	Cost method	53,170,000.00	53,170,000.00	25,000,000.00
Shenyang Shibo Home Furnishing	Cost method	35,068,057.50	35,068,057.50	(2,920,000.00)
Construction and Furnishing Materials Trading	Cost method	10,000,000.00	10,000,000.00	–
Shenyang Expo	Cost method	50,000,000.00	50,000,000.00	–
Lanzhou Shibo	Cost method	30,000,000.00	30,000,000.00	–
Macalline Network Technology	Cost method	81,500,000.00	81,500,000.00	–
Decrating Public Network Technology	Cost method	3,200,000.00	3,200,000.00	–
Urumchi Red Star	Cost method	50,000,000.00	50,000,000.00	–
Dongguan Red Star	Cost method	70,000,000.00	70,000,000.00	–
Hohhot Shibo	Cost method	123,280,264.00	60,000,000.00	–
Diken Trading	Cost method	177,690,900.00	177,690,900.00	–
Suzhou Zhongxiang	Cost method	160,578,586.64	160,578,586.64	–
Xinghe Home Furnishing	Cost method	3,000,000.00	3,000,000.00	–
Macalline Logistics	Cost method	40,886,820.00	15,000,000.00	–
Red Star Industrial	Cost method	206,841,181.40	206,841,181.40	–
Xinglong Home Furnishing	Cost method	39,000,000.00	39,000,000.00	–
Hongkong Red Star Macalline	Cost method	112,839,554.51	129,716.00	–
Macalline Business Management	Cost method	100,000,000.00	88,000,000.00	460,000,000.00

RMB

Investee	Accounting method	Closing balance	Opening balance	Dividend of long-term equity investment
				accounted for by cost method declared this year
Red Star Small Loan Company	Cost method	–	140,000,000.00	–
Changsha Jinxia	Cost method	120,000,000.00	60,000,000.00	–
Xinghe Asset Management	Cost method	10,000,000.00	10,000,000.00	–
Tenghui Investment Hefei Company	Cost method	40,000,000.00	40,000,000.00	–
Beijing International Home Furnishing	Cost method	344,780,641.87	344,780,641.87	26,000,000.00
Beijing Shibo Furniture	Cost method	31,856,462.57	31,856,462.57	64,000,000.00
Beijing Home Furnishing Market	Cost method	630,335.17	630,335.17	–
Tianjin Shibo Home Furnishing	Cost method	230,851,821.21	72,420,000.00	–
Hehe Juzhong	Cost method	–	700,000.00	–
Kunshan Red Star	Cost method	1,000,000.00	1,000,000.00	–
Tongxiang Red Star	Cost method	500,000.00	500,000.00	–
Beijing Business Management	Cost method	2,700,000.00	2,700,000.00	–
Wuxi Business Management	Cost method	700,000.00	700,000.00	–
Zhejiang Mingdu	Cost method	165,300,000.00	165,300,000.00	16,530,000.00
Red Star Finance Company	Cost method	270,000,000.00	–	–
Nanchang Global Home Furnishing	Cost method	15,300,000.00	–	–
Muye Asset Management	Cost method	120,000.00	–	–
Jinshan Home Furnishing	Cost method	25,000,000.00	–	–
Suzhou Red Star Macalline Shibo Home Furnishing	Cost method	151,611,912.79	–	–
Xining Red Star Macalline Shibo Home Furnishing	Cost method	72,162,700.00	–	–
Labor Dispatch Company	Cost method	2,000,000.00	–	–
Jisheng Wellborn Brand Management	Cost method	5,000,000.00	–	18,000,000.00
Yumu Business Management	Cost method	5,000,000.00	–	–
Yuxu Business Management	Cost method	5,000,000.00	–	–
Yuzhu Business Management	Cost method	5,000,000.00	–	–
Yuxiao Business Management	Cost method	5,000,000.00	–	–
Jianjinsuo Investment Company	Cost method	140,000,000.00	–	–
Glory Casa	Cost method	200,000,000.00	–	–
Xiamen Baoxiang	Equity method	4,279,068.25	4,557,376.00	–
Chengdu Dongtai	Equity method	802,864,116.22	699,245,619.68	–
Shanghai Mingyi	Equity method	19,733,335.25	8,667,939.77	–
Shenzhen Red Star	Equity method	45,255,063.01	44,408,709.73	–
Hangzhou Global	Equity method	58,626,478.44	56,965,000.00	–
Wuhan Zhengda	Equity method	–	19,119,602.56	–
Wuhan Zhengkai	Equity method	127,000,000.00	–	–
Meiwu 365	Equity method	17,900,796.13	20,000,000.00	–
Jiazhan Construction	Equity method	7,304,104.60	6,667,000.00	–
Reyi Network Technology	Equity method	5,274,701.29	–	–
Nanchang Global Expo	Equity method	27,000,000.00	–	–
Total		11,388,694,251.59	10,887,097,479.63	3,895,388,000.00

4. Intangible Assets

RMB

Item	Software	Trademark use right	Total
I. Initial carrying amount			
Opening balance	62,664,135.56	525,000,000.00	587,664,135.56
Increased amount at current year	13,686,451.73	–	13,686,451.73
Reduced amount at current year	–	–	–
Closing balance	76,350,587.29	525,000,000.00	601,350,587.29
II. Accumulated amortization			
Opening balance	24,227,620.08	38,270,185.68	62,497,805.76
Increased amount at current year	6,939,160.25	13,852,583.66	20,791,743.91
Reduced amount at current year	–	–	–
Closing balance	31,166,780.33	52,122,769.34	83,289,549.67
III. Impairment provision			
Opening balance	–	100,000,000.00	100,000,000.00
Increased amount at current year	–	–	–
Reduced amount at current year	–	–	–
Closing balance	–	100,000,000.00	100,000,000.00
IV. Carrying value			
Closing balance	45,183,806.96	372,877,230.66	418,061,037.62
Opening balance	38,436,515.48	386,729,814.32	425,166,329.80

Note: Details are set out in the note (V).14.

5. Other Non-current Assets

RMB

Item	Closing balance	Opening balance
Prepayments for equity transfer	324,585,000.00	278,485,000.00
Prepayments for construction	359,199,400.00	366,199,400.00
Entrusted loan	1,101,571,684.28	255,867,231.08
Capital contribution to investees	19,100,000.00	21,150,000.00
Construction contributions	104,034,293.38	43,235,238.60
Total	1,908,490,377.66	964,936,869.68

6. Advance from Customers

RMB

Item	Closing balance	Opening balance
Rental	58,405,172.01	68,907,780.73
Charges for the consulting and management service titled the Company's name for the early stage of the project (Notes)	405,500,000.00	402,249,999.99
Charges for annual consulting and management service titled the Company's name for the project (Notes)	150,904,129.67	119,861,905.82
Others	116,358,335.60	77,538,333.00
Total	<u>731,167,637.28</u>	<u>668,558,019.54</u>

For the end of the current year and prior year, the balance of the charges for the consulting and management service titled the Company's name for the early stage of the project received in advance with aging over one year amounted to RMB269,000,000.00 and RMB355,250,000.00, respectively; the balance of the charges for annual consulting and management service titled the Company's name for the project received in advance with aging over one year amounted to RMB14,200,425.85 and RMB17,403,765.47 respectively.

7. Taxes Payables

RMB

Item	Closing balance	Opening balance
Value-added tax	139,954,549.73	119,933,610.71
Enterprise income tax	25,059,043.49	1,619,803.40
Urban maintenance and construction tax	652,778.72	382,649.67
Others	6,499,158.76	4,679,075.29
Total	<u>172,165,530.70</u>	<u>126,615,139.07</u>

8. Revenue and Costs of Sales

(1) Revenue

RMB

Item	Amount for the current year		Amount for the prior year	
	Revenue	Costs of sales	Revenue	Costs of sales
Principal businesses	1,704,748,683.71	276,523,553.00	1,423,737,641.16	205,762,466.67
Other businesses	178,885,386.15	—	80,354,233.75	—
Total	<u>1,883,634,069.86</u>	<u>276,523,553.00</u>	<u>1,504,091,874.91</u>	<u>205,762,466.67</u>

(2) Principal businesses

RMB

Name of sector	Amount for the current year		Amount for the prior year	
	Revenue	Costs of sales	Revenue	Costs of sales
Revenue from the consulting and management service titled the Company's name for the early stage of the project	426,444,691.13	224,201,018.45	531,159,433.96	170,691,586.16
Revenue from annual consulting and management service titled the Company's name for the project	257,799,705.77	-	279,531,918.27	-
Leasing and management revenue	811,765,296.17	52,322,534.55	441,590,314.09	35,070,880.51
Other revenue	208,738,990.64	-	171,455,974.84	-
Total	<u>1,704,748,683.71</u>	<u>276,523,553.00</u>	<u>1,423,737,641.16</u>	<u>205,762,466.67</u>

9. Taxes and Surcharges

RMB

Item	Amount for the current year	Amount for the prior year	計繳標準
Business tax	-	29,381,221.95	Refer to note (IV)1
Urban maintenance and construction tax	3,844,775.13	1,113,114.79	Refer to note (IV)1
Educational surcharge	3,542,119.50	(3,718,244.52)	Refer to note (IV)1
Stamp duty	614,279.70	6,805.20	
Others	<u>2,791,139.93</u>	<u>(927,804.27)</u>	
Total	<u>10,792,314.26</u>	<u>25,855,093.15</u>	

10. Investment Income

RMB

Item	Amount for the current year	Amount for the prior year
Gain on long-term equity investment based on cost method	3,895,388,000.00	2,193,282,750.27
Gain on long-term equity investment based on equity method	115,726,018.01	131,140,153.93
Investment gain from disposal of long-term equity investments	1,867,397.44	15,765,117.91
Gains on the deregistration of subsidiary	–	1,796,745.83
Total	<u>4,012,981,415.45</u>	<u>2,341,984,767.94</u>

11. Income Tax Expenses

RMB

Item	Amount for the current year	Amount for the prior year
Current income tax based on tax law and relevant regulations	40,658,915.70	–
Deferred income tax adjustment	(44,700,787.38)	(118,672,315.87)
Difference from settlement for the prior year	10,455,549.33	4,595,330.05
Total	<u>6,413,677.65</u>	<u>(114,076,985.82)</u>

Adjustment to income tax expenses and accounting profit are as follows:

RMB

Item	Amount for the current year	Amount for the prior year
Accounting profit	3,976,103,203.09	1,845,736,114.42
Income tax expenses calculated as per 25% tax rate	994,025,800.77	461,434,028.61
Tax impact of non-deductible expenses	4,719,343.09	5,389,847.51
Tax impact of non-taxable income	(1,002,787,015.54)	(585,496,191.99)
Difference from settlement for the prior year	10,455,549.33	4,595,330.05
Total	<u>6,413,677.65</u>	<u>(114,076,985.82)</u>

12. Supplementary Information to the Cash Flow Statement

RMB

Supplementary information	Amount for the current year	Amount for the prior year
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	3,969,689,525.44	1,959,438,100.24
Add: Impairment losses of assets	247,590,661.48	831,163,567.23
Depreciation of fixed assets	6,358,733.82	6,773,301.92
Intangible asset amortization	20,791,743.91	22,840,041.40
Amortization of long-term prepaid expenses	4,196,644.87	2,510,399.74
Loss of disposal of fixed assets, intangible assets and other long-term assets (gain is represented by “-”)	(358,379.26)	(20.94)
Financial expenses (gain is represented by “-”)	375,080,006.39	378,598,072.52
Investment loss (gain is represented by “-”)	(4,012,981,415.45)	(2,341,984,767.94)
Decrease in deferred tax assets (increase is represented by “-”)	(38,729,242.94)	(121,862,146.26)
Decrease in inventories (increase is represented by “-”)	(3,054,594.50)	(2,630,498.17)
Decrease in operating receivables (increase is represented by “-”)	(114,131,740.54)	(145,826,195.45)
Increase in operating payables (decrease is represented by “-”)	165,206,986.56	(568,385,613.76)
The net cash flow incurred from operating activities	619,658,929.78	20,634,240.53
2. Net changes in cash and cash equivalents:		
Closing amount of cash	1,969,876,777.44	1,505,388,102.38
Less: Opening amount of cash	1,505,388,102.38	2,177,918,658.27
Net increase (decrease) in cash and cash equivalents	464,488,675.06	(672,530,555.89)

13. Related Parties and Related Party Transactions

(1) Other Related Parties of the Company

Apart from the subsidiaries stated in Note (VII), please refer to Note (X) for the other related parties of the Company.

(2) Related Party Transactions

(2.1) Connected transactions of the purchase and sale of goods, provision and receipt of services

<i>RMB</i>					
Related parties	Types of related parties transactions	Details of related parties transactions	Pricing policy and procedure for decision-making	Current year	Prior year
Ningbo Aoyang	Rendering of services	The revenue from annual consulting and management service titled the Company's name for the special project	Negotiated price	2,285,658.68	2,500,562.26
Yangzhou Property	Rendering of services	The revenue from annual consulting and management service titled the Company's name for the special project	Negotiated price	1,886,792.40	1,979,530.06
Jining Hongrui	Rendering of services	The revenue from annual consulting and management service titled the Company's name for the special project	Negotiated price	3,792,442.94	3,830,694.47
Xuzhou Home Furnishing Mall	Rendering of services	The revenue from annual consulting and management service titled the Company's name for the special project	Negotiated price	1,433,962.32	1,443,396.23
Xuzhou Home Furnishing Plaza	Rendering of services	The revenue from annual consulting and management service titled the Company's name for the special project	Negotiated price	2,339,622.72	2,405,660.38
Ningbo Longkai	Rendering of services	The revenue from annual consulting and management service titled the Company's name for the special project	Negotiated price	N/A	865,995.63
Shaanxi Hongrui	Rendering of services	The revenue from annual consulting and management service titled the Company's name for the special project	Negotiated price	2,830,188.72	2,886,792.48

				<i>RMB</i>	
Related parties	Types of related parties transactions	Details of related parties transactions	Pricing policy and procedure for decision-making	Current year	Prior year
Wuhu Minghui	Rendering of services	The revenue from annual consulting and management service titled the Company's name for the special project	Negotiated price	2,830,188.72	2,886,792.48
Greenland Jinniu Real Estate	Rendering of services	The revenue from annual consulting and management service titled the Company's name for the special project	Negotiated price	3,773,584.92	3,905,660.37
Xinghua Xing kai	Rendering of services	The revenue from annual consulting and management service titled the Company's name for the special project	Negotiated price	1,415,094.29	1,231,560.71
Total				<u>22,587,535.71</u>	<u>23,936,645.07</u>
Xiamen Baoxiang	Rendering of services	Service Income	Negotiated price	23,256.60	-
Total				<u>23,256.60</u>	<u>-</u>

(2.2) *Guarantees with related parties*

						<i>Unit: RMB</i>
Guarantor	Guaranteed party	31 December 2017	31 December 2016	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed at the end of the year
Providing guarantees						
Loans :						
The Company (Note 1)	Chengdu Dongtai	-	98,000,000.00	24 February 2012	24 February 2017	Yes
The Company	Changzhou Macalline	-	19,000,000.00	31 December 2009	30 December 2017	Yes
The Company (Note 2)	Changzhou Home World	-	75,000,000.00	28 October 2009	27 October 2017	Yes
The Company (Note 2)	Shanghai Shanhai Art Furniture	-	80,000,000.00	24 August 2009	24 September 2017	Yes
The Company (Note 2)	Yantai Red Star	-	50,000,000.00	16 December 2011	9 January 2017	Yes
The Company (Note 7)	Haier Consumer Finance	400,000,000.00	125,000,000.00	8 November 2016	8 November 2019	No
The Company	Wuxi Red Star	-	200,000,000.00	30 October 2008	20 December 2019	Yes

Unit: RMB

Guarantor	Guaranteed party	31 December 2017	31 December 2016	Inception date of guarantee	Expiration date of guarantee	Whether guarantee has been performed at the end of the year
The Company (Note 2)	Nanjing Mingdu	68,500,000.00	–	16 September 2011	30 December 2021	No
The Company (Note 2)	Nanjing Mingdu	108,530,000.00	435,240,000.00	16 September 2011	16 June 2021	No
The Company (Note 2)	Wuhan Red Star	160,000,000.00	250,000,000.00	24 June 2014	14 April 2020	No
The Company	Shanghai Home Furnishing Expo	1,161,000,000.00	–	31 May 2017	15 May 2034	No
The Company (Note 2)	Shenyang Mingdu	208,970,000.00	270,130,000.00	22 November 2013	10 May 2021	No
The Company (Note 2)	Changsha Yin hong	345,000,000.00	405,000,000.00	19 March 2015	25 November 2025	No
The Company (Note 3)	Panjin Red Star	160,000,000.00	180,000,000.00	28 April 2013	20 December 2021	No
The Company (Note 4)	Zhongshan shibo	102,810,000.00	117,500,000.00	31 October 2014	31 October 2022	No
The Company (Note 2)	Wuxi Home Furnishing	370,000,000.00	181,000,000.00	10 January 2017	21 April 2023	No
The Company (Note 2)	Daqing Shibo Furniture	96,000,000.00	120,000,000.00	27 May 2015	21 December 2020	No
The Company (Note 2)	Langfang Kaihong	224,000,000.00	–	1 April 2017	14 February 2027	No
The Company (Note 2)	Wuhan Global Home	312,000,000.00	315,000,000.00	19 May 2014	19 May 2020	No
The Company	Hefei Shibo Furniture	36,180,000.00	40,000,000.00	2 February 2015	25 November 2021	No
The Company (Note 2)	Urumchi Red Star	300,000,000.00	–	28 April 2017	28 April 2024	No
The Company	Dongguan Red Star	45,000,000.00	–	12 January 2017	11 January 2029	No
The Company	Yumu Business Management	306,150,000.00	–	14 June 2017	13 June 2026	No
The Company	Yuxu Business Management	303,250,000.00	–	14 June 2017	13 June 2026	No
The Company	Yuzhu Business Management	315,900,000.00	–	14 June 2017	13 June 2026	No
The Company	Yuxiao Business Management	302,250,000.00	–	14 June 2017	13 June 2026	No
	Sub-total	<u>5,325,540,000.00</u>	<u>2,960,870,000.00</u>			
Bonds payable						
The Company (Note 5)	Hongkong Red Star Macalline	1,923,565,824.50	–	21 September 2017	20 September 2022	No
	Sub-total	<u>1,923,565,824.50</u>	<u>–</u>			

						Whether guarantee has been performed at the end of the year
Guarantor	Guaranteed party	31 December 2017	31 December 2016	Inception date	Expiration date of guarantee	
Borrowings:						
Shanghai Shanhai Art Furniture	The Company	660,000,000.00	700,000,000.00	28 July 2016	25 July 2018	No
Shanghai Shanhai Art Furniture, Xinwei Property	The Company	800,000,000.00	1,000,000,000.00	28 July 2016	27 July 2018	No
Jinan Red Star	The Company	750,000,000.00	-	27 July 2017	18 December 2020	No
CHE Jianxing, CHEN Shuhong and RSM Holding (Note 6)	The Company	300,000,000.00	-	25 July 2017	25 July 2020	No
Shanghai Decoration Mall (Note 8)	The Company	-	500,000,000.00	22 July 2016	30 June 2017	Yes
Xinwei Property (Note 8)	The Company	-	800,000,000.00	22 January 2015	19 December 2017	Yes
	Sub-total	<u>2,510,000,000.00</u>	<u>3,000,000,000.00</u>			

note 1 : The loan is the Property Income Right Trust established by Chengdu Dongtai, the joint venture of the Company, with its property lease income right. The trust is managed, used and handled by Sichuan Trust Co., Ltd. in accordance with the terms of the trust contract and is pledged with the operating property accounts receivable and secured by investment properties of Chengdu Dongtai. In February 2017, the property income right trust was over.

note 2 : The loan is also secured by the investment property owned by guaranteed party.

note 3 : The loan was also provided by Panjin Huayuan Construction Investment Company Limited* (盤錦華源建設投資有限公司) with joint and several liability guarantees, and was secured by the investment property owned by Panjin Red Star.

note 4 : The loan was guaranteed by the Company with a maximum amount of RMB240 million and was secured by the investment property owned by Zhongshan Shibo.

note 5 : The US bond was guaranteed by the Company's signing of the Keepwell Deed.

note 6 : The borrowings were provided by CHE Jianxing, CHEN Shuhong and RSM Holding with joint and several liability guarantees of maximum amount of RMB500 million.

note 7 : On 8 November 2016, the Company provided a 25% joint and several liability guarantees against the loan of RMB2,500,000,000.00 lent by Haier Consume Financing, an associate of the Company, to Haier Group Finance Co., Ltd. At the end of the current year and prior year, the balances of borrowings for such guarantees were RMB1,600,000,000.00 and RMB500,000,000.00, respectively.

note 8 : The borrowing is also secured by the investment property owned by guarantor.

(2.3) Loans and borrowings of the related parties

RMB

Related parties	Lending amount	Inception date	Expiration date	Closing balance	Remarks
During the year:					
Borrowed from					
Changzhou Macalline	396,413,706.46	No	No	26,922.90	No fixed term
Changzhou Home World	537,524,975.97	No	No	-	No fixed term
Wuxi Red Star	430,688,618.37	No	No	312,191,524.01	No fixed term
Lianyungang Red Star	11,690.15	No	No	13,678,669.96	No fixed term
Nanjing Furnishing Mall	80,012,498.69	No	No	86,377.34	No fixed term
Nanjing Mingdu	164,865,210.67	No	No	113,471,676.55	No fixed term
Shanghai Decoration Mall	563,171,144.46	No	No	83,096.85	No fixed term
Shanghai Global Home	99,754,547.51	No	No	236,207.86	No fixed term
Shanghai Shanhai Art Furniture	2,756,389,176.25	No	No	-	No fixed term
Shanghai Management	1,882,025,174.89	No	No	332,435,174.00	No fixed term
Changsha Furniture	34,032,925.57	No	No	33,071,493.08	No fixed term
Changsha Home Furnishing Expo	-	No	No	295,375.21	No fixed term
Chengdu Red Star	25,157,946.99	No	No	194,931,695.79	No fixed term
Zhengzhou Red Star	259,747.64	No	No	96,443,558.68	No fixed term
Shanghai Decorating Market	985,887,373.57	No	No	-	No fixed term
Shanghai Global Home Furnishing	108,266,665.16	No	No	11,443.60	No fixed term
Hangzhou Shibo Furniture	4,796,026,374.95	No	No	-	No fixed term
Chengdu Changyi	539,873,744.41	No	No	99,791,906.93	No fixed term
Red Star Macalline Brand Management	181,749,994.14	No	No	145,447,205.76	No fixed term
Chongqing Global Home Furnishing	40,063,602.10	No	No	56,419,195.48	No fixed term
Chongqing Shibo Home Furnishing	135,030,470.26	No	No	711,815.67	No fixed term
Shanghai Dingsheng	56,692.77	No	No	66,336,364.67	No fixed term
Shanghai Global Market	140,424,433.63	No	No	-	No fixed term
Chongqing Expo Home Furnishing	335,624,916.20	No	No	-	No fixed term
Changsha Yinhong	67,816,452.41	No	No	-	No fixed term
Red Star Consulting	29,547,111.49	No	No	51,038,419.72	No fixed term
Shenyang Home Furnishing	1,577,828,737.13	No	No	1,328,472,267.87	No fixed term
Red Star Trading	489,583.29	No	No	24,029,569.31	No fixed term
Hefei Shibo Furniture	14,429,541.58	No	No	-	No fixed term
Nanjing International Home Living	28,818,370.57	No	No	-	No fixed term
Xingyitong	1,992,643,064.28	No	No	172,853,218.48	No fixed term
Tianjin International Expo	1,600,186,071.72	No	No	1,208,800,935.73	No fixed term
Red Star Mall Management	362,125,042.66	No	No	-	No fixed term
Yangzhou International Home Furnishing	15,006,238.90	No	No	7,046,230.56	No fixed term

RMB

Related parties	Lending amount	Inception date	Expiration date	Closing balance	Remarks
Sunan Construction	38,794.11	No	No	20,393,109.25	No fixed term
Construction and Furnishing Materials Trading	1,713.90	No	No	2,005,438.89	No fixed term
Chengdu Red Star Ogloria	20,021.52	No	No	21,258,162.50	No fixed term
Urumchi Red Star	98,510,685.89	No	No	-	No fixed term
Macalline Assets Management	97,901,969.45	No	No	-	No fixed term
Xinglong Home Furnishing	1,720,019,671.27	No	No	81,359,525.69	No fixed term
Macalline Chengdu Business Management	87,402,797.56	No	No	114,551,003.79	No fixed term
Macalline Chengdu Enterprise Consulting	336,900,000.00	No	No	657,750,000.00	No fixed term
Beijing International Home Furnishing	60,785,671.62	No	No	335,666,920.51	No fixed term
Beijing Shibo Furniture	60,627,676.26	No	No	346,118,311.21	No fixed term
Tianjin Home Furnishing	19,500,000.00	No	No	-	No fixed term
Tianjin Construction Materials	10,500,000.00	No	No	-	No fixed term
Beijing Home Furnishing Market	-	No	No	-	No fixed term
Beijing Global Home Furnishing	10,000,000.00	No	No	-	No fixed term
Shenyang Shibo Home Furnishing	422,991,826.56	No	No	54,053,082.51	No fixed term
Dalian Investment	98,091,580.05	No	No	188,365,334.06	No fixed term
Wuxi Home Furnishing	396,192,821.69	No	No	101,926,788.76	No fixed term
Langfang Kaihong	357,692,048.99	No	No	188,339,768.60	No fixed term
Harbin International home furnishing	568,244,605.69	No	No	161,358,455.14	No fixed term
Jisheng Wellborn Brand Management	214,207.55	No	No	-	No fixed term
Red Star Industrial	148,304,751.25	No	No	-	No fixed term
Shanghai Jinshan	310,849.05	No	No	-	No fixed term
Glory Casa	1,940,003.37	No	No	112,184.72	No fixed term
Xinjiang Macalline Enterprise Management	983,009,880.16	No	No	456,879,480.16	No fixed term
Khorgos Xingyijia	367,749,579.82	No	No	360,947,654.82	No fixed term
Betterhome Decoration	53,300.00	No	No	53,300.00	No fixed term
Youmei Home	16,666,005.50	No	No	-	No fixed term
Jinan Red Star	354,139,230.74	No	No	252,450,037.89	No fixed term
Zhengzhou Juankai Enterprise Management	5,394,500,000.00	No	No	2,648,300,000.00	No fixed term
Xinjiang Red Star Ogloria	60,009,595.93	No	No	51,318,629.22	No fixed term
Yunnan Red Star	66,816,898.27	No	No	67,182,202.78	No fixed term
Hongkong Red Star Macalline	1,070,528,000.00	No	No	1,045,472,000.00	No fixed term
Total	32,731,866,031.04	No	No	11,413,771,736.51	No fixed term

RMB

Related parties	Lending amount	Inception date	Expiration date	Closing balance	Remarks
During the year:					
Lend to					
Changzhou Macalline	452,818,029.30	No	No	9,396,047.84	No fixed term
Changzhou Home World	638,209,214.31	No	No	77,444,622.60	No fixed term
Wuxi Red Star	600,547,605.86	No	No	203,000,000.00	No fixed term
Nanjing Mingdu	299,300,536.21	No	No	75,431,853.17	No fixed term
Shanghai Decoration Mall	968,004,279.57	No	No	24,500,000.00	No fixed term
Shanghai Global Home	172,969,448.08	No	No	-	No fixed term
Shanghai Shanhai Art Furniture	2,865,118,934.84	No	No	81,907,332.43	No fixed term
Hongxin Oukai	67,005,774.05	No	No	703,291,355.41	No fixed term
Xinwei Property	82,531,940.49	No	No	305,754,344.74	No fixed term
Jinan Red Star	302,775,069.66	No	No	206,719,369.91	No fixed term
Zhengzhou Red Star	26,231,964.11	No	No	10,000,000.00	No fixed term
Shanghai Decorating Market	650,097,445.38	No	No	-	No fixed term
Hangzhou Shibo Furniture	4,829,636,087.18	No	No	-	No fixed term
Chengdu Changyi	277,344,440.06	No	No	-	No fixed term
Red Star Macalline Brand Management	174,540,288.94	No	No	1,498,552.44	No fixed term
Wuhan Red Star	109,260,629.77	No	No	668,742,429.66	No fixed term
Beijing Xingkai Jingzhou	46,695,532.04	No	No	119,878,110.35	No fixed term
Shanghai Home Furnishing Expo	295,406,671.75	No	No	694,030,004.07	No fixed term
Yantai Red Star	62,744,627.12	No	No	321,147,239.93	No fixed term
Shenyang Mingdu	217,931,957.28	No	No	566,179,505.06	No fixed term
Beijing Europe and America Business	19,329,697.47	No	No	174,622,831.88	No fixed term
Chongqing Shibo Home Furnishing	194,563,055.58	No	No	-	No fixed term
Changsha Yinhong	137,218,460.02	No	No	47,816,421.09	No fixed term
Shanghai Jingdu	107,894.53	No	No	106,301,136.71	No fixed term
Tianjin Home Furnishings Plaza	155,613,852.93	No	No	342,154,633.17	No fixed term
Panjin Red Star	42,739,920.63	No	No	169,652,127.22	No fixed term
Red Star Consulting	30,138,419.72	No	No	-	No fixed term
Xingkai Chengpeng	990,850,480.96	No	No	1,147,945,032.57	No fixed term
Hongmei E-Commerce	49,650,543.52	No	No	65,360,036.81	No fixed term
Changzhou Hongyang	10,800,000.00	No	No	441,559,400.00	No fixed term
Harbin Red Star	136,158,973.60	No	No	244,002,521.06	No fixed term
Xingjia Building Materials	1,000,000.00	No	No	70,650,000.00	No fixed term
Chongqing Zhongkun	1,422,523.24	No	No	172,306,308.89	No fixed term
Zhongshan Shibo	19,335,463.49	No	No	42,726,338.72	No fixed term
Shenyang Dadong	11,700,000.00	No	No	39,617,941.11	No fixed term
Wuxi Home Furnishing	236,068,999.90	No	No	45,000,000.00	No fixed term
Xi'an Home Furnishing	-	No	No	10,240,642.23	No fixed term
Daqing Shibo	59,434,624.30	No	No	201,550,042.58	No fixed term

RMB

Related parties	Lending amount	Inception date	Expiration date	Closing balance	Remarks
Langfang Kaihong	255,060,222.02	No	No	209,579,289.89	No fixed term
Changzhou Jiapindao	240,768.62	No	No	6,432,742.22	No fixed term
Wuhan Global Home	176,745,514.22	No	No	497,319,509.37	No fixed term
Tianjin Fashion	-	No	No	54,119,655.10	No fixed term
Hefei Shibo Furniture	6,117,704.88	No	No	205,329,541.58	No fixed term
Nanjing International Home Living	350,494,656.73	No	No	31,000,910.05	No fixed term
Xingyitong	2,099,493,885.97	No	No	105,646,005.68	No fixed term
Youmei Home	33,331,462.29	No	No	44,095,456.79	No fixed term
Tianjin International Expo	182,259,136.98	No	No	1,022,223,347.08	No fixed term
Tianjin World Trade	160,797,702.84	No	No	605,677,892.50	No fixed term
Harbin International home furnishing	20,000,000.00	No	No	-	No fixed term
Changchun Red Star	-	No	No	450,972,748.84	No fixed term
Xizhao Investment	180,848,601.12	No	No	415,348,619.74	No fixed term
Red Star Mall Management	718,728,807.45	No	No	414,754,101.25	No fixed term
Shenyang Expo	8,614,002.60	No	No	256,548,244.13	No fixed term
Lanzhou Shibo	240,348,838.16	No	No	335,048,807.56	No fixed term
Decorating Public Network Technology	25,748.43	No	No	46,454,888.89	No fixed term
Urumchi Red Star	158,003,682.28	No	No	304,140,685.89	No fixed term
Dongguan Red Star	65,584,050.11	No	No	187,478,686.86	No fixed term
Anjia Network	-	No	No	415,920.65	No fixed term
Hohhot Shibo	181,258,333.32	No	No	190,028,582.03	No fixed term
Diken Trading	69,203,406.43	No	No	75,706,483.27	No fixed term
Suzhou Zhongxiang	136,700.72	No	No	40,905,321.86	No fixed term
Changsha Shibo	9,514,611.87	No	No	35,140,116.67	No fixed term
Macalline Assets Management	175,893,036.59	No	No	81,302,444.45	No fixed term
Xinghe Home Furnishing	7,945,342.14	No	No	20,282,377.78	No fixed term
Red Star Industrial	273,491,809.00	No	No	328,204,449.86	No fixed term
Xinglong Home Furnishing	50,000,000.00	No	No	-	No fixed term
Macalline Chengdu Business Management	88,534,731.53	No	No	-	No fixed term
Chengdu Tianfu Shibo	390,623,446.19	No	No	95,850,006.73	No fixed term
Chengdu Tianfu New District	817,125,700.39	No	No	478,980,368.82	No fixed term
Macalline Yuejia	17,508,252.10	No	No	46,572,170.10	No fixed term
Tenghui logistics	49,455,565.06	No	No	211,431,649.44	No fixed term
Macalline Business Management	67,474,826.24	No	No	68,872,521.11	No fixed term
Changsha Jinxia	28,839,763.18	No	No	24,191,458.31	No fixed term
Jianjinsuo Investment Holding Company	39,981,125.79	No	No	50,671,555.55	No fixed term
Tenghui Investment Hefei Company	2,039,572.63	No	No	548,097,110.25	No fixed term
Tianjin Home Furnishing	38,832,379.13	No	No	-	No fixed term
Tianjin Hongqiao	20,756,704.53	No	No	-	No fixed term

RMB

Related parties	Lending amount	Inception date	Expiration date	Closing balance	Remarks
Baotou Red Star	296,482.29	No	No	37,324,838.84	No fixed term
Tianjin Shibo Home Furnishing	89,788,309.42	No	No	893,147,559.66	No fixed term
Quzhou Red Star	4,114.15	No	No	7,422,683.33	No fixed term
Changshu Red Star	2,971.76	No	No	5,508,608.75	No fixed term
Nanjing Furnishing Mall	110,941,475.15	No	No	-	No fixed term
Shanghai Management	1,882,766,161.66	No	No	3,860,886.69	No fixed term
Chengdu Red Star	27,790,396.83	No	No	-	No fixed term
Shanghai Global Home Furnishing	229,433,278.06	No	No	3,849.80	No fixed term
Chongqing Global Home Furnishing	57,938,779.29	No	No	-	No fixed term
Yangzhou International	15,110,220.56	No	No	-	No fixed term
Xinjiang Macalline Enterprise Management	983,009,880.16	No	No	-	No fixed term
Shanghai Dingshi	40,000,000.00	No	No	40,000,000.00	No fixed term
Shanghai Hezhu	4,000,000.00	No	No	4,000,000.00	No fixed term
Shanghai Jiliang	2,000,000.00	No	No	2,000,000.00	No fixed term
Shanghai Juzun	4,000,000.00	No	No	4,000,000.00	No fixed term
Red Star Zhongying Investment	100,087.04	No	No	101,537.89	No fixed term
Yumu Business Management	677,345,065.67	No	No	242,875,924.18	No fixed term
Yuxu Business Management	225,201,325.32	No	No	230,051,359.53	No fixed term
Yuzhu Business Management	233,644,089.56	No	No	238,690,268.01	No fixed term
Yuxiao Business Management	223,890,429.41	No	No	228,715,147.26	No fixed term
Chongqing Macalline Logistics	203,745,911.95	No	No	206,477,777.78	No fixed term
Suzhou Shibo Home Furnishing	577,869,079.57	No	No	347,226,704.66	No fixed term
Xining Red Star Macalline Shibo Home Furnishing	244,383,247.99	No	No	247,742,167.43	No fixed term
Xinjiang Red Star Ogloria	60,021,529.22	No	No	-	No fixed term
Wuhan Global Home Furnishing	793,266.43	No	No	801,536.11	No fixed term
Chongqing Expo Home Furnishing	22,146,760.35	No	No	66,705,245.32	No fixed term
Shenyang Home Furnishing	1,615,436,241.66	No	No	18,127,891.14	No fixed term
Beijing Century Kailong	324,080.55	No	No	8,694,158.45	No fixed term
Beijing Shibo Furniture	109,224,529.83	No	No	61,222,394.50	No fixed term
Beijing International Home Furnishing	214,122,434.33	No	No	37,414,912.06	No fixed term
Beijing Global Home Furnishing	655,151.78	No	No	87,139,692.15	No fixed term
Shenyang Shibo Home Furnishing	424,128,747.05	No	No	4,718.00	No fixed term
Hefei Macalline Logistics	40,641,183.80	No	No	17,447,580.41	No fixed term
Chongqing Chayuan	155,019,496.86	No	No	155,344,444.44	No fixed term
Nanchang Global Home Furnishing	11,161,639.75	No	No	1,028,968.89	No fixed term
Jinshan Home Furnishing	495,000,000.00	No	No	495,000,000.00	No fixed term
Changsha Furniture	38,516,151.17	No	No	3,934,466.17	No fixed term
Changzhou business management	90,320,920.55	No	No	-	No fixed term

RMB

Related parties	Lending amount	Inception date	Expiration date	Closing balance	Remarks
Nanchang Global Expo	84,970,532.70	No	No	84,970,532.70	No fixed term
Xining Red Star Macalline Shibo Home Furnishing	198,900,000.00	14 November 2017	12 August 2022	200,491,200.00	Fixed rate of 6%
Urumchi Red Star	198,900,000.00	14 November 2017	12 August 2022	200,491,200.00	Fixed rate of 6%
Chengdu Tianfu Shibo	331,500,000.00	14 November 2017	12 August 2022	334,152,000.00	Fixed rate of 6%
Chengdu Tianfu New District	331,500,000.00	14 November 2017	12 August 2022	334,152,000.00	Fixed rate of 6%
Shanghai Mingyi	7,800,000.50	No	No	105,400,000.50	No fixed term
Total	32,484,957,449.80			19,830,922,106.60	

RMB

Related parties	Lending amount	Inception date	Expiration date	Closing balance	Remarks
Prior year:					
Borrowed from					
Changzhou Macalline	116,132,516.11	No	No	49,918,471.02	No fixed term
Changzhou Home World	95,885,079.66	No	No	48,284,044.67	No fixed term
Wuxi Red Star	282,393,635.20	No	No	297,247,893.54	No fixed term
Lianyungang Red Star	333,331.83	No	No	13,696,820.83	No fixed term
Nanjing Furnishing Mall	268,410,373.21	No	No	30,807,042.18	No fixed term
Nanjing Mingdu	316,825,014.15	No	No	212,843,631.72	No fixed term
Shanghai Decoration Mall	346,114,190.79	No	No	393,649,166.56	No fixed term
Shanghai Red Star Macalline Furniture Company Limited	13,220,653.61	No	No	-	No fixed term
Shanghai Global Home	416,554,062.90	No	No	70,971,390.30	No fixed term
Shanghai Shanhai Art Furniture	729,387,227.23	No	No	71,150,000.00	No fixed term
Shanghai Management	1,940,106,791.21	No	No	13,866,365.60	No fixed term
Changsha Furniture	48,365,802.44	No	No	35,507,326.66	No fixed term
Changsha Home Furnishing Expo	-	No	No	295,375.21	No fixed term
Chengdu Red Star	77,122,366.48	No	No	176,348,564.82	No fixed term
Zhengzhou Red Star	543,935,848.20	No	No	118,438,133.14	No fixed term
Shanghai Global Home Furnishing	23,124,158.66	No	No	119,874,590.96	No fixed term
Hangzhou Shibo Furniture	48,481,437.90	No	No	33,170,129.70	No fixed term
Red Star Macalline Brand Management	317,677,194.02	No	No	105,165,383.56	No fixed term
Chongqing Global Home Furnishing	106,177,713.42	No	No	73,254,385.08	No fixed term
Chongqing Shibo Home Furnishing	379,605,862.75	No	No	59,736,563.28	No fixed term
Shanghai Dingsheng	9,080,593.01	No	No	66,452,289.51	No fixed term
Shanghai Global Market	296,732,363.21	No	No	8,516,122.79	No fixed term

RMB

Related parties	Lending amount	Inception date	Expiration date	Closing balance	Remarks
Chongqing Expo Home Furnishing	6,693,012,486.24	No	No	331,033,000.00	No fixed term
Changsha Yin hong	463,714,077.88	No	No	22,757,121.40	No fixed term
Red Star Consulting	146,612,643.85	No	No	41,600,000.00	No fixed term
Shenyang Home Furnishing	5,175,082,711.83	No	No	30,157,679.26	No fixed term
Red Star Trading	141,723.86	No	No	26,760,115.00	No fixed term
Hefei Silihe	697,342,443.89	No	No	-	No fixed term
Nanjing International Home Living	8,418,181.79	No	No	288,557,304.00	No fixed term
Yijia Decorating	40,095.00	No	No	-	No fixed term
Xingyitong	2,199,901,160.30	No	No	159,188,921.11	No fixed term
Youmei Home	243,425,270.06	No	No	-	No fixed term
Tianjin International Expo	21,546,897,047.05	No	No	520,000,000.00	No fixed term
Red Star Mall Management	252,642,910.00	No	No	74,970.00	No fixed term
Yangzhou International	2,040,770.00	No	No	2,008,100.00	No fixed term
Sunan Construction	843,556.95	No	No	45,453,343.50	No fixed term
Construction and Furnishing Materials Trading	2,008,100.00	No	No	2,008,100.00	No fixed term
Beijing International Home Furnishing	649,343,441.70	No	No	335,729,794.85	No fixed term
Beijing Shibo Furniture	627,320,359.06	No	No	457,147,480.38	No fixed term
Tianjin Home Furnishing	847,362,012.95	No	No	-	No fixed term
Beijing Home Furnishing Market	15,000,000.00	No	No	31,000,000.00	No fixed term
Beijing Shibo Home Furnishing	10,000,000.00	No	No	-	No fixed term
Beijing Global Home Furnishing	320,258,307.88	No	No	-	No fixed term
Kunshan Red Star	10,927,051.30	No	No	7,142,063.15	No fixed term
Beijing Business Management	-	No	No	-	No fixed term
Jiajinsuo Financial Technology	10,060,759.76	No	No	45,292,950.00	No fixed term
Chengdu Red Star Ogloria	59,090,460.00	No	No	21,360,785.00	No fixed term
Urumchi Red Star	54,015,358.89	No	No	54,015,358.89	No fixed term
Macalline Assets Management	152,875,815.40	No	No	49,700,475.00	No fixed term
Xinglong Home Furnishing	13,064,466,079.84	No	No	860,000,000.00	No fixed term
Macalline Chengdu Business Management	70,082,025.57	No	No	67,700,000.00	No fixed term
Macalline Chengdu Enterprise Consulting	656,500,000.00	No	No	451,300,000.00	No fixed term
Home Group Branch of Beijing East Fourth Ring (家居集團北京東四環分公司)	80,000,000.00	No	No	80,000,000.00	No fixed term
Home Group Branch of Beijing West Fourth Ring (家居集團北京西四環分公司)	43,000,000.00	No	No	43,000,000.00	No fixed term
Home Group Jiangsu Branch (家居集團江蘇分公司)	53,900,000.00	No	No	53,900,000.00	No fixed term
Home Group Shenyang Tiexi Branch (家居集團瀋陽鐵西分公司)	20,000,000.00	No	No	20,000,000.00	No fixed term

APPENDIX II
FINANCIAL INFORMATION OF THE GROUP
RMB

Related parties	Lending amount	Inception date	Expiration date	Closing balance	Remarks
Home Group Jinan Branch(家居集團濟南分公司)	10,000,000.00	No	No	10,000,000.00	No fixed term
Home Group Branch of Changsha Shaoshan Road (家居集團長沙韶山路分公司)	19,000,000.00	No	No	19,000,000.00	No fixed term
Home Group Branch of North Fourth Ring (家居集團北四環分公司)	25,000,000.00	No	No	25,000,000.00	No fixed term
Shenyang Shibo Home Furnishing	4,267,062,673.51	No	No	31,117,205.82	No fixed term
Home Furnishing Shopping Mall Business					
Division Of Dalian Investment	<u>132,760,941.07</u>	No	No	<u>90,262,304.97</u>	No fixed term
Total	<u>65,005,814,681.62</u>	No	No	<u>6,221,460,763.46</u>	No fixed term

RMB

Related parties	Lending amount	Inception date	Expiration date	Closing balance	Remarks
Prior year:					
Lend to					
Changzhou Macalline	4,045,145.69	No	No	4,045,145.69	No fixed term
Changzhou Home World	25,000,000.00	No	No	25,000,000.00	No fixed term
Wuxi Red Star	43,000,000.00	No	No	43,000,000.00	No fixed term
Nanjing Mingdu	33,390,000.00	No	No	33,390,000.00	No fixed term
Shanghai Decoration Mall	24,608,068.49	No	No	24,608,068.49	No fixed term
Shanghai Shanhai Art Furniture	114,001,564.81	No	No	114,001,564.81	No fixed term
Hongxin Oukai	89,056,732.69	No	No	667,535,895.80	No fixed term
Xinwei Property	505,455,620.81	No	No	276,152,427.33	No fixed term
Jinan Red Star	310,478,964.00	No	No	223,006,781.40	No fixed term
Zhengzhou Red Star	10,000,000.00	No	No	10,000,000.00	No fixed term
Shanghai Decorating Market	861,545,798.28	No	No	167,985,308.24	No fixed term
Chengdu Changyi	140,420,960.40	No	No	132,690,711.56	No fixed term
Red Star Macalline Brand Management	10,124,305.92	No	No	17,632,936.81	No fixed term
Wuhan Red Star	335,915,482.50	No	No	539,693,188.93	No fixed term
Beijing Xingkai Jingzhou	34,795,616.11	No	No	69,548,474.59	No fixed term
Shanghai Home Furnishing Expo	893,062,036.76	No	No	1,669,552,127.44	No fixed term
Yantai Red Star	78,907,502.52	No	No	399,689,565.84	No fixed term
Shenyang Mingdu	217,031,744.75	No	No	542,158,352.42	No fixed term
Beijing Europe and America Business	17,385,005.02	No	No	152,481,149.92	No fixed term

RMB

Related parties	Lending amount	Inception date	Expiration date	Closing balance	Remarks
Chongqing Expo Home Furnishing	390,674,505.75	No	No	390,674,505.75	No fixed term
Shanghai Jingdu	1,295,000.00	No	No	104,395,000.00	No fixed term
Tianjin Home Furnishings Plaza	133,371,992.98	No	No	180,402,313.57	No fixed term
Panjin Red Star	47,637,211.50	No	No	120,189,683.05	No fixed term
Shenyang Home Furnishing	74,925,032.57	No	No	12,596,432.38	No fixed term
Xingkai Chengpeng	32,300,000.00	No	No	272,919,869.00	No fixed term
Hongmei E-Commerce	17,701,691.81	No	No	15,709,493.29	No fixed term
Changzhou Hongyang	2,158,186.30	No	No	442,764,906.30	No fixed term
Harbin Red Star	295,323,523.87	No	No	193,555,500.00	No fixed term
Xingjia Building Materials	7,330,845.73	No	No	81,850,000.00	No fixed term
Chongqing Zhongkun	7,838,886.07	No	No	167,994,235.00	No fixed term
Zhongshan shibo	17,721,729.15	No	No	22,048,981.11	No fixed term
Shenyang Dadong	1,016,771.75	No	No	39,388,881.50	No fixed term
Wuxi Home Furnishing	144,117,112.70	No	No	126,630,117.63	No fixed term
Xi'an Home Furnishing	-	No	No	10,240,642.23	No fixed term
Daqing Shibo Furniture	58,491,490.50	No	No	147,728,562.04	No fixed term
Langfang Kaihong	220,035,249.44	No	No	260,719,427.75	No fixed term
Changzhou Jiapindao	2,487,006.60	No	No	6,081,179.25	No fixed term
Wuhan Global Home	96,776,501.15	No	No	366,838,255.77	No fixed term
Beijing Century Kailong	3,911,964.76	No	No	8,224,913.86	No fixed term
Tianjin Fashion	114,126,366.40	No	No	54,119,655.10	No fixed term
Hefei Shibo Furniture	362,287,171.48	No	No	205,302,144.80	No fixed term
Jiapinhui	1,170,235.92	No	No	1,169,551.73	No fixed term
Youmei Home	33,406,348.00	No	No	27,445,456.79	No fixed term
Tianjin International Expo	1,812,907,464.01	No	No	1,812,907,464.01	No fixed term
Tianjin World Trade	79,497,554.13	No	No	443,795,000.00	No fixed term
Harbin International home furnishing	313,888,373.10	No	No	396,422,339.45	No fixed term
Changchun Red Star	8,882,297.61	No	No	450,978,058.24	No fixed term
Xizhao Investment	124,800,000.00	No	No	253,690,000.00	No fixed term
Red Star Mall Management	252,492,970.00	No	No	105,331,122.92	No fixed term
Shenyang Expo	5,833,269.24	No	No	242,700,864.84	No fixed term
Lanzhou Shibo	350,552,875.50	No	No	314,754,148.00	No fixed term
Decorating Public Network Technology	46,000,000.00	No	No	46,000,000.00	No fixed term
Urumchi Red Star	599,575,263.90	No	No	289,150,421.27	No fixed term
Dongguan Red Star	106,959,504.77	No	No	165,938,635.50	No fixed term
Anjia Network	420,541.09	No	No	415,920.65	No fixed term
Hohhot Shibo	353,677,807.07	No	No	306,986,915.39	No fixed term
Diken Trading	3,946,303.00	No	No	3,946,303.00	No fixed term
Suzhou Zhongxiang	63,240,275.62	No	No	63,240,275.62	No fixed term
Changsha Shibo	25,827,539.16	No	No	24,498,820.00	No fixed term

RMB

Related parties	Lending amount	Inception date	Expiration date	Closing balance	Remarks
Jiajinsuo Information Technology	1,967,653.59	No	No	469,103.13	No fixed term
Xinghe Home Furnishing	12,083,938.50	No	No	12,048,600.00	No fixed term
Red Star Industrial	201,139,763.00	No	No	199,899,763.00	No fixed term
Xinglong Home Furnishing	842,407,226.40	No	No	1,439,895,226.40	No fixed term
Macalline Chengdu Business Management	1,729,075.52	No	No	442,172.26	No fixed term
Shanghai Jinshan	9,026,757.96	No	No	18,205.04	No fixed term
Chengdu Tianfu Shibo	84,074,359.21	No	No	83,582,742.31	No fixed term
Chengdu Tianfu New District	192,763,195.28	No	No	192,016,317.23	No fixed term
Macalline Yuejia	53,364,655.94	No	No	70,772,405.94	No fixed term
Tenghui logistics	331,400,000.00	No	No	172,550,000.00	No fixed term
Macalline Business Management	54,750,000.00	No	No	500,000.00	No fixed term
Changsha Jinxia	23,678,950.03	No	No	678,950.03	No fixed term
Jianjinsuo Investment Holding Company	150,000,000.00	No	No	150,000,000.00	No fixed term
Tenghui Investment Hefei Company	534,898,402.78	No	No	534,898,402.78	No fixed term
Tianjin Home Furnishing	112,332,786.40	No	No	–	No fixed term
Beijing International Home Furnishing	25,000,000.00	No	No	25,000,000.00	No fixed term
Beijing Shibo Furniture	19,614,720.36	No	No	19,614,720.36	No fixed term
Tianjin Home Furnishing	810,244,919.13	No	No	42,966,698.03	No fixed term
Tianjin Construction Materials	242,643,451.39	No	No	37,249,660.00	No fixed term
Beijing Global Home Furnishing	451,010,583.74	No	No	94,710,626.21	No fixed term
Baotou Red Star	2,534,233.63	No	No	36,270,318.35	No fixed term
Tianjin Shibo Home Furnishing	805,016,339.18	No	No	792,242,043.17	No fixed term
Hehe Juzhong	–	No	No	8,170,412.25	No fixed term
Quzhou Red Star	–	No	No	7,350,000.00	No fixed term
Changshu Red Star	476,357.65	No	No	5,456,107.65	No fixed term
Yunnan Property	–	No	No	9,781,270.00	No fixed term
Nanjing Furnishing Mall	3,818,019.95	No	No	3,818,019.95	No fixed term
Wuxi Red Star	–	28 December 2012	27 November 2017	55,000,000.00	Fixed rate of 6.11%
Nanjing Mingdu	–	28 December 2012	27 November 2017	55,000,000.00	Fixed rate of 6.11%
Shanghai Global Home	–	28 December 2012	27 November 2017	67,000,000.00	Fixed rate of 6.11%
Jinan Red Star	–	28 December 2012	27 November 2017	38,000,000.00	Fixed rate of 6.11%
Total	14,928,806,801.02			17,447,319,460.15	

(2.4) Compensation for key management personnel

RMB'000

Item	Current Year	Prior year
Compensation for key management personnel	49,240	55,740

(2.5) Equity transfers

Please refer to Note (VI) for the Company's acquisitions and disposals of subsidiaries to related parties.

(2.6) Others related party transactions

RMB

Related Parties	Types of Related Parties Transactions	Related Parties Transactions	Pricing Policy and Procedure for Decision-Making of Related Parties Transactions	Current Year	Prior year
Changzhou Macalline	Interest	Interest income	According to negotiated price	143,239.41	58,990.60
Changzhou Home World	Interest	Interest income	According to negotiated price	1,327,043.31	110,273.97
Wuxi Red Star	Interest	Interest income	According to negotiated price	4,693,409.21	3,795,850.82
Nanjing Mingdu	Interest	Interest income	According to negotiated price	5,022,904.58	3,416,508.35
Nanjing International Home Living	Interest	Interest income	According to negotiated price	46,393.51	-
Shanghai Decorative Mall	Interest	Interest income	According to negotiated price	864,025.87	108,068.49
Shanghai Global Home	Interest	Interest income	According to negotiated price	3,877,643.79	4,161,928.38
Tianjin International Expo	Interest	Interest income	According to negotiated price	56,402,851.53	54,308,005.82
Tianjin Home Furnishings Plaza	Interest	Interest income	According to negotiated price	8,168,500.72	3,904,143.29
Tianjin World Trade	Interest	Interest income	According to negotiated price	18,613,869.66	1,547,554.13
Harbin International home furnishing	Interest	Interest income	According to negotiated price	1,950,411.16	1,162,285.16
Changchun Red Star	Interest	Interest income	According to negotiated price	-	3,523,347.22
Hongxin Oukai	Interest	Interest income	According to negotiated price	32,623,678.87	17,284,663.07
Xinwei Property	Interest	Interest income	According to negotiated price	12,300,425.94	6,534,569.01
Jinan Red Star	Interest	Interest income	According to negotiated price	11,423,814.28	11,975,660.69

RMB

Related Parties	Types of Related Parties Transactions	Related Parties Transactions	Pricing Policy and Procedure for Decision-Making of Related Parties Transactions	Current Year	Prior year
Shanghai Home Furnishing Expo	Interest	Interest income	According to negotiated price	44,848,133.33	45,475,525.35
Beijing Europe and America Business	Interest	Interest income	According to negotiated price	3,410,964.54	2,224,038.71
Shanghai Jingdu	Interest	Interest income	According to negotiated price	1,798,242.18	-
Xingkai Chengpeng	Interest	Interest income	According to negotiated price	14,174,682.61	-
Shanghai Management	Interest	Interest income	According to negotiated price	4,874,420.12	-
Wuhan Red Star	Interest	Interest income	According to negotiated price	22,317,382.86	15,346,154.91
Beijing Xingkai Jingzhou	Interest	Interest income	According to negotiated price	4,885,351.65	4,779,139.40
Yantai Red Star	Interest	Interest income	According to negotiated price	14,595,597.81	19,612,340.70
Shenyang Mingdu	Interest	Interest income	According to negotiated price	5,806,331.18	2,996,357.04
Changzhou Hongyang	Interest	Interest income	According to negotiated price	-	-
Shenyang Dadong	Interest	Interest income	According to negotiated price	825,639.36	607,418.21
Wuhan Global Home	Interest	Interest income	According to negotiated price	20,204,845.15	3,326,257.66
Tianjin Fashion	Interest	Interest income	According to negotiated price	-	770,766.36
Shenyang Expo	Interest	Interest income	According to negotiated price	5,233,376.69	3,753,980.38
Tianjin Shibo Home Furnishing	Interest	Interest income	According to negotiated price	24,770,275.33	23,907,328.81
Shenyang Shibo Home Furnishing	Interest	Interest income	According to negotiated price	-	3,281,273.70
Shenyang Home Furnishing	Interest	Interest income	According to negotiated price	438,549.68	110,152.93
Xinglong Home Furnishing	Interest	Interest income	According to negotiated price	4,504,104.67	4,579,188.45
Hefei Shibo Furniture	Interest	Interest income	According to negotiated price	9,741,378.28	2,029,529.22
Wuxi Home Furnishing	Interest	Interest income	According to negotiated price	1,418,504.56	3,390,635.96
Shanghai Shanhai Art Furniture	Interest	Interest income	According to negotiated price	1,618,536.09	1,699,479.94
Tianjin Construction Materials	Interest	Interest income	According to negotiated price	243,295.47	65,716.98
Zhongshan shibo	Interest	Interest income	According to negotiated price	1,642,915.23	675,668.09
Zhengzhou Red Star	Interest	Interest income	According to negotiated price	351,225.26	88,219.18

RMB

Related Parties	Types of Related Parties Transactions	Related Parties Transactions	Pricing Policy and Procedure for Decision-Making of Related Parties Transactions	Current Year	Prior year
Chengdu Changyi	Interest	Interest income	According to negotiated price	2,504,364.20	8,622,841.36
Chongqing Expo Home Furnishing	Interest	Interest income	According to negotiated price	15,778,085.01	15,567,517.23
Changsha Yinhong	Interest	Interest income	According to negotiated price	1,172,056.89	-
Panjin Red Star	Interest	Interest income	According to negotiated price	8,407,206.59	3,655,703.42
Harbin Red Star	Interest	Interest income	According to negotiated price	4,288,047.46	1,903,248.81
Xingjia Building Materials	Interest	Interest income	According to negotiated price	-	-
Chongqing Zhongkun	Interest	Interest income	According to negotiated price	3,563,785.65	2,624,486.33
Daqing Shibo Furniture	Interest	Interest income	According to negotiated price	7,886,856.24	5,606,770.86
Langfang Kaihong	Interest	Interest income	According to negotiated price	9,649,553.42	10,214,240.92
Changzhou Jiapindao	Interest	Interest income	According to negotiated price	131,973.60	66,948.03
Beijing Century Kailong	Interest	Interest income	According to negotiated price	178,077.90	114,482.18
Xizhao Investment	Interest	Interest income	According to negotiated price	5,810,018.62	-
Lanzhou Shibo	Interest	Interest income	According to negotiated price	6,999,969.40	5,164,820.58
Macalline Network Technology	Interest	Interest income	According to negotiated price	-	-
Urumchi Red Star	Interest	Interest income	According to negotiated price	14,624,248.39	9,348,475.80
Dongguan Red Star	Interest	Interest income	According to negotiated price	6,594,636.75	2,445,273.08
Hohhot Shibo	Interest	Interest income	According to negotiated price	3,041,666.64	4,299,638.87
Shanxi Xingyi Tonghui	Interest	Interest income	According to negotiated price	-	-
Changsha Shibo	Interest	Interest income	According to negotiated price	1,225,504.80	175,364.15
Macalline Assets Management	Interest	Interest income	According to negotiated price	3,311,377.31	-
Red Star Macalline Brand Management	Interest	Interest income	According to negotiated price	291,359.18	498,153.40
Baotou Red Star	Interest	Interest income	According to negotiated price	758,038.20	264,211.56
Hehe Juzhong	Interest	Interest income	According to negotiated price	-	-
Changshu Red Star	Interest	Interest income	According to negotiated price	49,529.34	20,250.00

RMB

Related Parties	Types of Related Parties Transactions	Related Parties Transactions	Pricing Policy and Procedure for Decision-Making of Related Parties Transactions	Current Year	Prior year
Chengdu Tianfu Shibo	Interest	Interest income	According to negotiated price	4,562,688.54	526,587.50
Chengdu Tianfu New District	Interest	Interest income	According to negotiated price	13,142,440.31	1,319,780.34
Jiapinhui	Interest	Interest income	According to negotiated price	-	684.19
Suzhou Zhongxiang	Interest	Interest income	According to negotiated price	2,278,345.52	1,497,127.82
Macalline Logistics	Interest	Interest income	According to negotiated price	-	129.04
Xinghe Zhaipei Home Furnishing	Interest	Interest income	According to negotiated price	337,035.64	79,215.28
Shanghai Jinshan	Interest	Interest income	According to negotiated price	-	34,539.97
Macalline Yuejia	Interest	Interest income	According to negotiated price	791,512.06	87,028.30
Hefei Macalline Logistics	Interest	Interest income	According to negotiated price	186,396.61	191,415.57
Red Star Small Loan	Interest	Interest income	According to negotiated price	-	3,112.25
Changsha Jinxia	Interest	Interest income	According to negotiated price	196,292.93	32,028.33
Beijing International Home Furnishing	Interest	Interest income	According to negotiated price	878,063.16	220,547.95
Beijing Shibo Furniture	Interest	Interest income	According to negotiated price	682,882.96	171,523.46
Tianjin Home Furnishing	Interest	Interest income	According to negotiated price	167,620.87	88,219.18
Xingyitong	Interest	Interest income	According to negotiated price	496,645.70	-
Diken Trading	Interest	Interest income	According to negotiated price	2,556,773.84	-
Decorating Public Network Technology	Interest	Interest income	According to negotiated price	429,140.46	-
Anhui Shengshidingtong Logistics	Interest	Interest income	According to negotiated price	3,426,084.38	-
Macalline Business Management	Interest	Interest income	According to negotiated price	897,694.87	-
Jianjinsuo Investment Holding Company	Interest	Interest income	According to negotiated price	690,429.76	-
Red Star Zhongying Investment	Interest	Interest income	According to negotiated price	1,450.85	-
Yumu Business Management	Interest	Interest income	According to negotiated price	5,530,858.51	-
Yuxu Business Management	Interest	Interest income	According to negotiated price	4,850,034.21	-
Yuzhu Business Management	Interest	Interest income	According to negotiated price	5,046,178.45	-
Yuxiao Business Management	Interest	Interest income	According to negotiated price	4,824,717.85	-

RMB

Related Parties	Types of Related Parties Transactions	Related Parties Transactions	Pricing Policy and Procedure for Decision-Making of Related Parties Transactions	Current Year	Prior year
Tenghui Investment Hefei Company	Interest	Interest income	According to negotiated price	11,159,134.84	-
Xining Red Star Macalline Shibo Home Furnishing	Interest	Interest income	According to negotiated price	4,358,919.44	-
Wuhan Global Home Furnishing	Interest	Interest income	According to negotiated price	8,269.68	-
Chongqing Macalline Logistics	Interest	Interest income	According to negotiated price	2,731,865.83	-
Red Star Industrial	Interest	Interest income	According to negotiated price	3,118,702.32	-
Red Star Mall Management	Interest	Interest income	According to negotiated price	5,443,520.05	-
Beijing Global Home Furnishing	Interest	Interest income	According to negotiated price	1,649,306.80	-
Quzhou Red Star	Interest	Interest income	According to negotiated price	68,569.18	-
Chongqing Chayuan	Interest	Interest income	According to negotiated price	324,947.58	-
Nanchang Global Home Furnishing	Interest	Interest income	According to negotiated price	27,329.14	-
Suzhou Shibo Home Furnishing	Interest	Interest income	According to negotiated price	7,625.09	-
Xining Red Star Macalline Shibo Home Furnishing	Interest	Interest income	According to negotiated price	1,591,200.00	-
Total				523,890,996.91	325,455,386.74

RMB

Related Parties	Types of Related Parties Transactions	Related Parties Transactions	Pricing Policy and Procedure for Decision-Making of Related Parties Transactions	Current Year	Prior year
Changzhou Macalline	Interest	Interest expense	According to negotiated price	1,321,603.90	349,632.96
Changzhou Home World	Interest	Interest expense	According to negotiated price	1,279,001.08	363,282.70
Wuxi Red Star	Interest	Interest expense	According to negotiated price	11,369,256.14	483,933.47
Nanjing Mingdu	Interest	Interest expense	According to negotiated price	10,420,177.91	2,398,522.75
Shanghai Decorative Mall	Interest	Interest expense	According to negotiated price	12,131,091.27	241,624.81
Shanghai Global Home	Interest	Interest expense	According to negotiated price	2,479,718.13	3,929,416.43

RMB

Related Parties	Types of Related Parties Transactions	Related Parties Transactions	Pricing Policy and Procedure for Decision-Making of Related Parties Transactions	Current Year	Prior year
Xingyitong	Interest	Interest expense	According to negotiated price	1,701,461.71	2,230,834.59
Shanghai Shanhai Art Furniture	Interest	Interest expense	According to negotiated price	142,527.06	960,729.49
Shanghai Management	Interest	Interest expense	According to negotiated price	1,754,520.20	978,440.74
Shanghai Decorating Market	Interest	Interest expense	According to negotiated price	180,688.29	36,863.95
Shanghai Global Home Furnishing	Interest	Interest expense	According to negotiated price	1,303,465.54	1,345,965.94
Chongqing Shibo Home Furnishing	Interest	Interest expense	According to negotiated price	507,837.71	1,164,480.87
Beijing International Home Furnishing	Interest	Interest expense	According to negotiated price	13,094,526.87	3,836,866.38
Beijing Shibo Furniture	Interest	Interest expense	According to negotiated price	13,319,995.32	75,117.92
Tianjin Home Furnishing	Interest	Interest expense	According to negotiated price	–	4,373,979.55
Beijing Global Home Furnishing	Interest	Interest expense	According to negotiated price	–	2,940,800.32
Shanghai Global Market	Interest	Interest expense	According to negotiated price	85,902.40	182,797.63
Lianyungang Red Star	Interest	Interest expense	According to negotiated price	194,835.68	212,769.93
Nanjing Furnishing Mall	Interest	Interest expense	According to negotiated price	208,311.62	816,664.74
Changsha Furniture	Interest	Interest expense	According to negotiated price	548,759.43	263,290.31
Changsha Home Furnishing Expo	Interest	Interest expense	According to negotiated price	–	–
Jinan Red Star	Interest	Interest expense	According to negotiated price	–	–
Chengdu Red Star	Interest	Interest expense	According to negotiated price	2,632,449.84	2,643,349.77
Hangzhou Shibo Furniture	Interest	Interest expense	According to negotiated price	439,582.53	296,338.74
Chengdu Changyi	Interest	Interest expense	According to negotiated price	3,927,450.09	1,041,934.13
Red Star Macalline Brand Management	Interest	Interest expense	According to negotiated price	29,697.59	1,874,314.85
Chongqing Global Home Furnishing	Interest	Interest expense	According to negotiated price	1,038,707.97	903,845.69
Chongqing Expo Home Furnishing	Interest	Interest expense	According to negotiated price	10,415,269.90	1,141,894.95
Dalian Investment	Interest	Interest expense	According to negotiated price	1,526,334.18	1,331,709.78

RMB

Related Parties	Types of Related Parties Transactions	Related Parties Transactions	Pricing Policy and Procedure for Decision-Making of Related Parties Transactions	Current Year	Prior year
Shanghai Dingsheng	Interest	Interest expense	According to negotiated price	944,879.23	1,180,582.24
Red Star Consulting	Interest	Interest expense	According to negotiated price	591,308.23	–
Shenyang Home Furnishing	Interest	Interest expense	According to negotiated price	32,514,595.45	–
Red Star Trading	Interest	Interest expense	According to negotiated price	279,871.02	–
Yijia Decorating	Interest	Interest expense	According to negotiated price	–	40,095.00
Yangzhou International	Interest	Interest expense	According to negotiated price	103,981.66	31,194.35
Sunan Construction	Interest	Interest expense	According to negotiated price	646,568.54	669,333.31
Jiajinsuo Financial Technology	Interest	Interest expense	According to negotiated price	–	1,148,748.00
Tianjin Construction Materials	Interest	Interest expense	According to negotiated price	–	1,466,832.24
Changsha Yinhong	Interest	Interest expense	According to negotiated price	522.01	837,204.50
Kunshan Red Star	Interest	Interest expense	According to negotiated price	(11,380.33)	11,380.33
Construction and Furnishing Materials Trading	Interest	Interest expense	According to negotiated price	28,564.99	13,415.09
Shenyang Shibo Home Furnishing	Interest	Interest expense	According to negotiated price	1,132,202.49	522,886.55
Red Star Mall Management	Interest	Interest expense	According to negotiated price	(72,786.41)	72,786.41
Hefei Shibo Furniture	Interest	Interest expense	According to negotiated price	–	652,700.80
Chengdu Red Star Ogloria	Interest	Interest expense	According to negotiated price	333,691.98	524,250.00
Zhengzhou Red Star	Interest	Interest expense	According to negotiated price	4,329,127.27	747,222.20
Assets Management	Interest	Interest expense	According to negotiated price	–	578,405.07
Red Star Industrial	Interest	Interest expense	According to negotiated price	1,073.21	–
Macalline Chengdu Business Management	Interest	Interest expense	According to negotiated price	1,574,106.23	–
Glory Casa	Interest	Interest expense	According to negotiated price	1,372,181.35	–
Khorgos Xingyijia	Interest	Interest expense	According to negotiated price	1,198,075.00	–

RMB

Related Parties	Types of Related Parties Transactions	Related Parties Transactions	Pricing Policy and Procedure for Decision-Making of Related Parties Transactions	Current Year	Prior year
Shanghai Home Furnishing Expo	Interest	Interest expense	According to negotiated price	134,165.97	–
Wuxi Home Furnishing	Interest	Interest expense	According to negotiated price	3,873,027.68	–
Langfang Kaihong	Interest	Interest expense	According to negotiated price	6,716,605.82	–
Beijing Furnishing Market	Interest	Interest expense	According to negotiated price	2,759.43	–
Nanjing International Home Living	Interest	Interest expense	According to negotiated price	2,173,502.55	–
Tianjin International Expo	Interest	Interest expense	According to negotiated price	3,101,195.27	–
Harbin International home furnishing	Interest	Interest expense	According to negotiated price	3,713,849.45	–
Jisheng Wellborn Brand Management	Interest	Interest expense	According to negotiated price	15,792.45	–
Xinglong Home Furnishing	Interest	Interest expense	According to negotiated price	327,854.42	–
Shanghai Jinshan	Interest	Interest expense	According to negotiated price	89,150.95	–
Xinjiang Red Star Ogloria	Interest	Interest expense	According to negotiated price	11,933.29	–
Yunnan Red Star	Interest	Interest expense	According to negotiated price	365,304.51	–
Total				157,544,896.07	44,916,439.48

(3) Amounts Due from/to Related Parties

RMB

Name of related parties	Closing balance		Opening balance	
	Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable				
Xuzhou Home Furnishings City	10,000.00	500.00	30,196.05	1,509.80
Ningbo Aoyang	-	-	871,935.16	43,596.76
Total	10,000.00	500.00	902,131.21	45,106.56
Other receivables				
Changzhou Macalline	9,396,047.84	-	4,045,145.69	-
Changzhou Home World	77,444,622.60	-	25,000,000.00	-
Wuxi Red Star	203,000,000.00	-	43,000,000.00	-
Nanjing Furnishing Mall	-	-	3,818,019.95	-
Nanjing Mingdu	75,431,853.17	-	33,390,000.00	-
Shanghai Decorative Mall	24,500,000.00	-	24,608,068.49	-
Shanghai Global Home	-	-	-	-
Shanghai Shanhai Art Furniture	81,907,332.43	-	114,001,564.81	-
Hongxin Oukai	703,291,355.41	-	667,535,895.80	-
Xinwei Property	305,754,344.74	-	276,152,427.33	-
Shanghai Management	3,860,886.69	-	-	-
Changsha Furniture	3,934,466.17	-	-	-
Jinan Red Star	206,719,369.91	-	223,006,781.40	-
Chengdu Red Star	-	-	-	-
Zhengzhou Red Star	10,000,000.00	-	10,000,000.00	-
Shanghai Decorating Market	-	-	167,985,308.24	-
Shanghai Global Home Furnishing	3,849.80	-	-	-
Hangzhou Shibo Furniture	-	-	-	-
Wuhan Zhengda	-	-	-	-
Chengdu Changyi	-	-	132,690,711.56	-
Red Star Macalline Brand Management	1,498,552.44	-	17,632,936.81	-
Chongqing Global Home Furnishing	-	-	-	-
Chongqing Shibo Home Furnishing	-	-	-	-
Wuhan Red Star	668,742,429.66	100,000,000.00	539,693,188.93	100,000,000.00
Beijing Xingkai Jingzhou	119,878,110.35	-	69,548,474.59	-
Shanghai Home Furnishing Expo	694,030,004.07	129,552,550.73	1,669,552,127.44	129,552,550.73
Yantai Red Star	321,147,239.93	-	399,689,565.84	-
Shenyang Mingdu	566,179,505.06	-	542,158,352.42	-
Beijing Europe and America Business	174,622,831.88	-	152,481,149.92	-
Chongqing Expo Home Furnishing	66,705,245.32	30,772,151.83	390,674,505.75	30,772,151.83
Changsha Yinhong	47,816,421.09	-	-	-
Shanghai Jingdu	106,301,136.71	-	104,395,000.00	-
Tianjin Home Furnishings Plaza	342,154,633.17	-	180,402,313.57	-
Panjin Red Star	169,652,127.22	-	120,189,683.05	-
Business Consulting	-	-	-	-
Shenyang Home Furnishing	18,127,891.14	-	12,596,432.38	-
Xingkai Chengpeng	1,147,945,032.57	17,874,886.21	272,919,869.00	17,874,886.21
Hongmei E-Commerce	65,360,036.81	-	15,709,493.29	-
Changzhou Hongyang	441,559,400.00	-	442,764,906.30	-

RMB

Name of related parties	Closing balance		Opening balance	
	Book balance	Bad debt provision	Book balance	Bad debt provision
Harbin Red Star	244,002,521.06	-	193,555,500.00	-
Xingjia Building Materials	70,650,000.00	61,811,558.73	81,850,000.00	74,011,558.73
Chongqing Zhongkun	172,306,308.89	-	167,994,235.00	-
Zhongshan shibo	42,726,338.72	-	22,048,981.11	-
Shenyang Dadong	39,617,941.11	31,700,000.00	39,388,881.50	-
Wuxi Home Furnishing	45,000,000.00	-	126,630,117.63	-
Xi'an Home Furnishing	10,240,642.23	-	10,240,642.23	-
Daqing Shibo Furniture	201,550,042.58	-	147,728,562.04	-
Langfang Kaihong	209,579,289.89	-	260,719,427.75	-
Changzhou Jiapindao	6,432,742.22	-	6,081,179.25	-
Wuhan Global Home	497,319,509.37	-	366,838,255.77	-
Beijing Century Kailong	8,694,158.45	-	8,224,913.86	-
Tianjin Fashion	54,119,655.10	50,219,635.10	54,119,655.10	50,219,635.10
Hefei Shibo Furniture	205,329,541.58	-	205,302,144.80	-
Nanjing International Home Living	31,000,910.05	-	-	-
Xingyitong	105,646,005.68	-	-	-
Jiapinhui	-	-	1,169,551.73	-
Youmei Home	44,095,456.79	-	27,445,456.79	-
Tianjin International Expo	1,022,223,347.08	-	1,812,907,464.01	-
Tianjin World Trade	605,677,892.50	-	443,795,000.00	-
Harbin International Home Furnishing	-	-	396,422,339.45	-
Changchun Red Star	450,972,748.84	-	450,978,058.24	-
Xizhao Investment	415,348,619.74	-	253,690,000.00	-
Red Star Mall Management	414,754,101.25	-	105,331,122.92	-
Shenyang Expo	256,548,244.13	-	242,700,864.84	-
Lanzhou Shibo	335,048,807.56	-	314,754,148.00	-
Jisheng Wellborn Brand Management	-	-	-	-
Decorating Public Network Technology	46,454,888.89	-	46,000,000.00	-
Tianjin Home Furnishing	-	42,966,698.03	-	-
Tianjin Construction Materials	-	37,249,660.00	-	-
Beijing Global Home Furnishing	87,139,692.15	-	94,710,626.21	-
Baotou Red Star	37,324,838.84	20,674,970.00	36,270,318.35	20,674,970.00
Tianjin Shibo Home Furnishing	893,147,559.66	93,648,300.00	792,242,043.17	-
Hehe Juzhong	-	-	8,170,412.25	-
Quzhou Red Star	7,422,683.33	7,350,000.00	7,350,000.00	7,350,000.00
Changshu Red Star	5,508,608.75	-	5,456,107.65	-
Yunnan Property	-	-	9,781,270.00	-
Xinglong Home Furnishing	-	-	1,439,895,226.40	-
Shanghai Mingyi	105,400,000.50	5,270,000.02	97,600,000.50	4,880,000.03
Red Star Industrial	328,204,449.86	-	199,899,763.00	-
Xi'an Jiaxin	-	-	50,000.00	2,500.00
Macalline Network Technology	-	-	-	-
Urumchi Red Star	304,140,685.89	-	289,150,421.27	-
Dongguan Red Star	187,478,686.86	-	165,938,635.50	-
Anjia Network	415,920.65	-	415,920.65	-

RMB

Name of related parties	Closing balance		Opening balance	
	Book balance	Bad debt provision	Book balance	Bad debt provision
Hohhot Shibo	190,028,582.03	-	306,986,915.39	-
Shanxi Xingyi Tonghui	-	-	-	-
Suzhou Zhongxiang	40,905,321.86	-	63,240,275.62	-
Changsha Shibo	35,140,116.67	-	24,498,820.00	-
Jiajinsuo Financial Technology	-	-	469,103.13	-
Macalline Assets Management	81,302,444.45	-	-	-
Xinghe Home Furnishing	20,282,377.78	-	12,048,600.00	-
Diken Trading	75,706,483.27	-	3,946,303.00	-
Macalline Chengdu Business Management	-	-	442,172.26	-
Shanghai Jinshan	-	-	18,205.04	-
Chengdu Tianfu Shibo	95,850,006.73	-	83,582,742.31	-
Chengdu Tianfu New District	478,980,368.82	-	192,016,317.23	-
Macalline Yuejia	46,572,170.10	-	70,772,405.94	-
Tenghui logistics	211,431,649.44	-	172,550,000.00	-
Macalline Business Management	68,872,521.11	-	500,000.00	-
Changsha Jinxia	24,191,458.31	-	678,950.03	-
Jianjinsuo Investment Holding Company	50,671,555.55	-	150,000,000.00	-
Shanghai Dingshi	40,000,000.00	-	-	-
Shanghai Hezhu	4,000,000.00	-	-	-
Shanghai Jiliang	2,000,000.00	-	-	-
Shanghai Juzun	4,000,000.00	-	-	-
Red Star Zhongying Investment	101,537.89	-	-	-
Yumu Business Management	242,875,924.18	-	-	-
Yuxu Business Management	230,051,359.53	-	-	-
Yuzhu Business Management	238,690,268.01	-	-	-
Yuxiao Business Management	228,715,147.26	-	-	-
Chongqing Macalline Logistics	206,477,777.78	-	-	-
Xining Red Star Macalline Shibo Home Furnishing	247,742,167.43	-	-	-
Suzhou Shibo Home Furnishing	347,226,704.66	-	-	-
Xinjiang Red Star Ogloria	-	-	-	-
Wuhan Global Home Furnishing	801,536.11	-	-	-
Tenghui Investment Hefei Company	548,097,110.25	-	534,898,402.78	-
Beijing International Home Furnishing	37,414,912.06	-	25,000,000.00	-
Beijing Shibo Furniture	61,222,394.50	-	19,614,720.36	-
Beijing Home Furnishing Market	-	-	175,597,563.05	-
Chongqing Chayuan	155,344,444.44	-	-	-
Nanchang Global Home Furnishing	1,028,968.89	-	-	-
Jinshan Home Furnishing	495,000,000.00	-	-	-
Hefei Macalline Logistics	17,447,580.41	-	-	-
Shenyang Shibo Home Furnishing	4,718.00	-	-	-
Total	18,676,665,173.90	548,874,052.62	17,505,567,023.70	435,338,252.63

RMB

Name of related parties	Closing balance		Opening balance	
	Book balance	Bad debt provision	Book balance	Bad debt provision
Other non-current assets				
Wuhan Zhengda	-	-	117,092,354.89	-
Jinan Red Star	-	-	38,000,000.00	-
Shanghai Global Home	-	-	67,000,000.00	-
Wuxi Red Star	-	-	55,000,000.00	-
Nanjing Mingdu	-	-	55,000,000.00	-
Chengdu Property	247,705,000.00	-	247,705,000.00	-
Xining Red Star Macalline Shibo Home Furnishing	200,491,200.00	-	-	-
Urumchi Red Star	200,491,200.00	-	-	-
Chengdu Tianfu Shibo	334,152,000.00	-	-	-
Chengdu Tianfu New District	334,152,000.00	-	-	-
Total	1,316,991,400.00	-	579,797,354.89	-
Long-term receivables				
Xiamen Baoxiang	22,500,000.00	-	46,500,000.00	-
Hangzhou Global	218,144,320.00	-	123,795,691.00	-
Nanchang Global Expo	84,970,532.70	-	-	-
Total	325,614,852.70	-	170,295,691.00	-

RMB

Item	Related Parties	31 December 2017	31 December 2016
Other payables	Changzhou Macalline	26,922.90	49,918,471.02
	Changzhou Home World	-	48,284,044.67
	Wuxi Red Star	312,191,524.01	297,247,893.54
	Lianyungang Red Star	13,678,669.96	13,696,820.83
	Nanjing Furnishing Mall	86,377.34	30,807,042.18
	Nanjing Mingdu	113,471,676.55	212,843,631.72
	Shanghai Decorative Mall	83,096.85	393,649,166.56
	Shanghai Global Home	236,207.86	70,971,390.30
	Shanghai Shanhai Art Furniture	-	71,150,000.00
	Shanghai Management	332,435,174.00	13,866,365.60
	Changsha Furniture	33,071,493.08	35,507,326.66
	Changsha Home Furnishing Expo	295,375.21	295,375.21
	Chengdu Red Star	194,931,695.79	176,348,564.82
	Zhengzhou Red Star	96,443,558.68	118,438,133.14
	Shanghai Decorating Market	-	-
	Shanghai Global Home Furnishing	11,443.60	119,874,590.96
	Hangzhou Shibo Furniture	-	33,170,129.70
	Chengdu Changyi	99,791,906.93	-
	Red Star Macalline Brand Management	143,439,154.59	105,165,383.56
	Chongqing Global Home Furnishing	56,419,195.48	73,254,385.08

RMB

Item	Related Parties	31 December 2017	31 December 2016
	Chongqing Shibo Home Furnishing	711,815.67	59,736,563.28
	Shanghai Dingsheng	66,336,364.67	66,452,289.51
	Shanghai Global Market	–	8,516,122.79
	Chongqing Expo Home Furnishing	–	331,033,000.00
	Changsha Yinhong	–	22,757,121.40
	Red Star Consulting	51,038,419.72	41,600,000.00
	Shenyang Home Furnishing	1,328,472,267.87	30,157,679.26
	Red Star Trading	24,029,569.31	26,760,115.00
	Nanjing International Home Living	–	288,557,304.00
Other payables	Xingyitong	172,853,218.48	159,188,921.11
	Tianjin International Expo	1,208,800,935.73	–
	Red Star Mall Management	–	74,970.00
	Yangzhou International	7,046,230.56	2,008,100.00
	Sunan Construction	20,393,109.25	45,453,343.50
	Construction and Furnishing Materials Trading	2,005,438.89	2,008,100.00
	Urumchi Red Star	–	54,015,358.89
	Beijing International Home Furnishing	335,666,920.51	335,729,794.85
	Beijing Shibo Furniture	346,118,311.21	457,147,480.38
	Beijing Home Furnishing Market	–	31,000,000.00
	Kunshan Red Star	–	7,142,063.15
	Jiajinsuo Financial Technology	–	45,292,950.00
	Chengdu Red Star Ogloria	21,258,162.50	21,360,785.00
	Macalline Assets Management	–	49,700,475.00
	Xinglong Home Furnishing	81,359,525.69	860,000,000.00
	Macalline Chengdu Business Management	114,551,003.79	67,700,000.00
	Macalline Chengdu Enterprise Consulting	657,750,000.00	451,300,000.00
	Shenyang Hunnan	54,053,082.51	31,117,205.82
	Dalian Investment	188,365,334.06	90,262,304.97
	Jinan Red Star	252,450,037.89	–
	Zhengzhou Juankai	2,648,300,000.00	–
	Xinjiang Red Star Ogloria	51,318,629.22	–
	Hongkong Red Star Macalline	1,045,472,000.00	–
	Yunnan Red Star	67,182,202.78	–
	Shenzhen Red Star	11,544,722.36	11,544,722.36
	Chongqing Qifa	–	30,988,965.89
	Wuxi Taihu	101,926,788.76	–
	Langfang Kaihong	188,339,768.60	–
	Harbin Red Star	161,358,455.14	–
	Glory Casa	112,184.72	–
	Xinjiang Macalline Enterprise Management	456,879,480.16	–
	Khorgos Xingyijia	360,947,654.82	–
	Betterhome Decoration	53,300.00	–
	Total	11,423,308,407.70	5,493,094,451.71

RMB

Item	Related Parties	31 December 2017	31 December 2016
Advance from customers	Xinghua Xingkai	850,342.47	480,342.47
	Jining Hongrui	902,377.29	922,366.78
	Ningbo Aoyang	18,466.67	1,039,007.94
	Xuzhou RSHFP	365,435.37	385,631.43
	Wuhu Minghui	684,246.58	684,246.58
	Greenland Jinniu	2,610,045.66	2,610,045.66
	Total	5,430,914.04	6,121,640.86

(XV) APPROVAL OF THE FINANCIAL STATEMENTS

The Company's consolidated financial statements and the financial statements of the parent's company have been approved by the Board of the Company.

(XVI) SUPPLEMENTARY INFORMATION

1. Statement of Non-Recurring Profit or Loss

RMB

Item	2017	2016	Remark
Gain or loss on disposal of non-current assets	35,964,572.41	(4,615,478.68)	
Investment gain on disposal of subsidiaries	494,732,793.04	20,803.42	
Investment gain on disposal of associates	880,397.44	–	
Government grants credited to profit for the period (exclusive of those that are closely related to the operation of enterprise and received in a certain amount or fixed quantity according to the state standards)	62,288,005.83	85,929,212.07	
Funds-use income received by non-financial enterprises and credited to the profit or loss for the period	44,166,036.66	57,615,799.32	
Gains derived from excess of the attributable fair value of net identifiable assets of the investee over the cost of investment of acquisition of subsidiaries, associates and joint venture	–	355,659.60	
Gain or loss arising from original equity portion measured at fair value during the process of enterprise merger and step acquisitions	–	(8,402,333.71)	

RMB

Item	2017	2016	Remark
Investment income from disposal of financial assets available for sale, except for effective hedging operations related to the normal course of operations of the company	8,000,000.00	–	
Gain or loss arising from changes in fair value of investment properties measured subsequently at fair value	1,996,188,694.30	1,754,032,308.00	
The value-added portion of investment gain from investment properties valuation of associates and joint ventures attributable to the enterprise	92,921,268.75	78,395,263.22	
Effect of one-off adjustments to profit or loss for the period made in accordance with the requirements of the tax and accounting laws and regulations	–	–	
Gain or loss on contingencies outside the normal course of business	–	–	
Non-operating income and expenses other than the above items	69,602,459.96	16,902,504.67	
Effect on income tax	(913,026,971.08)	(469,492,646.29)	
Effect on minority interest (after tax)	(119,250,983.54)	(186,209,621.73)	
Total	<u>1,772,466,273.77</u>	<u>1,324,531,469.89</u>	

The above Statement of Non-Recurring Profit or Loss is identified and disclosed in accordance with the requirements of “Explanatory announcement No.1 on information disclosure by companies offering securities to the public – non-recurring profit or loss” (CSRC Announcement [2008] No.43) issued by the China Securities Regulatory Commission.

2. Return on net assets and earnings per share

2017	Weighted average return on net assets (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to shareholders of ordinary shares of the Company	10.48	1.13	N/A
Net profit attributable to shareholders of ordinary shares of the Company, after deducting non-recurring gains and losses	<u>5.93</u>	<u>0.64</u>	<u>N/A</u>

2016	Weighted average return on net assets (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to shareholders of ordinary shares of the Company	9.55	0.94	N/A
Net profit attributable to shareholders of ordinary shares of the Company, after deducting non-recurring gains and losses	<u>5.94</u>	<u>0.57</u>	<u>N/A</u>

This calculation of return on net assets and earnings per share was prepared by the Company in accordance with the relevant requirements of the “Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No. 9) – Calculations and Disclosures for the Return on Net Assets and Earnings per Share” (as amended in 2010) issued by the China Securities Regulatory Commission.

* For identification only

3. INDEBTEDNESS STATEMENT

As at 31 January 2018, being the latest practicable date for the preparation of this indebtedness statement, the Group had outstanding indebtedness of RMB29,408.48 million, consisting of interest-bearing bank and other borrowings of RMB15,409.77 million, unsecured and unguaranteed issued bonds of RMB10,341.68 million, unsecured and unguaranteed indebtedness due to related parties, non-controlling shareholders of subsidiaries and certain independent third parties of RMB850.53 million, unsecured and unguaranteed obligations under finance lease of RMB428.10 million, and commercial mortgage backed security of RMB2,378.40 million.

As at 31 January 2018, the Group's interest-bearing bank and other borrowings consisted of (i) secured and unguaranteed borrowings of RMB13,714.47 million, which were secured by the Group's investment properties and bank deposits; (ii) secured and guaranteed borrowings of RMB1,350.30 million, which were secured by the Group's investment properties and bank deposits, and guaranteed by the controlling shareholders of the Company and other related parties; and (iii) unsecured and guaranteed borrowings of RMB345.00 million, which were guaranteed by the controlling shareholders of the Company.

We issued financial guarantees to a bank in respect of a loan up to RMB625.00 million granted to one of our associates. As at 31 December 2017, the associate had utilised RMB400.00 million of such loan.

As at 31 January 2018, the Company was claimed by one of its partners that the Company failed to allocate construction funds and complete construction for a project located in Hunan Province. The Company believes, on the basis of the available evidences and the legal advices, that the counterparty's claims won't be supported, and thus the Company is unlikely to pay liquidated damages or indemnities.

Save as disclosed above, the Group did not have any outstanding debt securities issued and outstanding or authorized or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages and charges, material contingent liabilities or guarantees outstanding as at 31 January 2018. The Directors confirm that there has been no material change in the Group's indebtedness position since 31 January 2018 up to the Latest Practicable Date. Foreign currency amounts have been translated into RMB at the rates of exchange prevailing at the close of business on 31 January 2018.

4. MATERIAL CHANGES SINCE 31 DECEMBER 2017

Save as disclosed below, the Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 December 2017, being the date to which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date:

1. on 16 January 2018, the Company announced that the initial public offering of not more than 315,000,000 A Shares (the “A Share Offering”) was completed on 16 January 2018 and the A Shares were to be listed and commenced trading on the Shanghai Stock Exchange on 17 January 2018. The 315,000,000 A Shares were issued at the issue price of RMB10.23 per A Share with total gross proceeds raised amounted to approximately RMB3,222.5 million and the net proceeds raised, after deducting the cost of the A Share Offering of approximately RMB172.5 million, amounted to approximately RMB3,050 million (the “A Share Offering Proceeds”), and the subsequent change in the use of the A Share Offering Proceeds was announced on 7 February 2018; and
2. on 7 February 2018, the Company announced the approval of (i) the proposal to issue domestic debt financing instrument not exceeding RMB15.0 billion and a maturity period of not more than 10 years for meeting the operation needs of the Company, adjusting the debt structure, supplementing the working capital and/or investing in projects; and (ii) the proposal to issue United States dollar denominated bonds with an aggregate principal amount not exceeding US\$700 million and a maturity period of not more than 10 years by its wholly-owned subsidiary, Hong Kong Red Star Macalline Universal Home Furnishings Limited* (香港紅星美凱龍全球家居有限公司) or its controlled subsidiaries for financing construction of projects, investing in or acquiring of other market participants in the home furnishing related areas, replenishing the working capital of the Company, repaying the loans of the Company and its subsidiaries and other general corporate purposes. The abovementioned resolution is subject to the approval at the first extraordinary general meeting of the Company in 2018 to be convened on 25 April 2018 as stated in the circular and notice of the extraordinary general meeting of the Company dated 9 March 2018.

Shareholders should also note that the Company would adopt certain new or revised accounting standards with effect from 1 January 2018, details of which were set out in the announcement of the Company dated 28 March 2018 in relation to the final results of the Company for the year ended 31 December 2017.

5. FINANCIAL AND TRADING PROSPECTS

In 2018 and thereafter, the Group will continue the implementation of two-prolonged business model of Portfolio Shopping Malls and Managed Shopping Malls, which will in turn diversify the Group's revenue streams and strengthen the steady increase of the Group's profitability. As one of the most influential brands in the home decoration and furnishing industry in the PRC, the Group will strive to strengthen its market leadership through strategic expansion of shopping mall network and brand portfolio. The Group also strive to become new retail benchmark in home decoration and furnishing industry by providing a trustworthy circulation platform that can integrate a sufficient number of home decoration and furnishing industry brand commodities to satisfy the various needs and consumer pain points and enhance the online and offline integration experience of consumers. In addition, the Group will continue to pursue digital strategies which aim at enhancing its long-term competitiveness to meet new growth opportunities by making use of internet, big data, cloud computing and other information technologies.

Leveraging on its strong financial position, the Group will positively explore new business model and integrate upstream and downstream resources of home decoration and furnishing industry through investment, merger and acquisition and other ways, and in particular look for opportunities into smart household field and offer services for enlarging enterprise scale, strengthening corporate strength, preparing for future and leading the development of the industry.

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma financial information of the Group has been prepared in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) for the purpose of illustrating the impact of the proposed voluntary conditional cash offer by China International Capital Corporation Hong Kong Securities Limited, on behalf of the Company to buy-back up to 388,917,038 H Shares at a price of HK\$11.78 per H Share (the “**Offer**”) on earnings per share of the Group for the year ended 31 December 2017 and consolidated net assets/net tangible assets of the Group as at 31 December 2017 as if the Offer had taken place at 1 January 2017 and 31 December 2017, respectively.

The unaudited pro forma financial information has been prepared for illustration purpose only, and because of its nature, it may not give a true picture of the earnings per Share of the Group for the year ended 31 December 2017 or any future period and the net assets and net assets per share of the Group as at 31 December 2017 following the Offer or at any future date.

The unaudited pro forma financial information is prepared based on certain financial information extracted from the audited consolidated financial statements of the Group for the year ended 31 December 2017 as set out in Appendix II to this Offer Document after giving effect to the pro forma adjustments described in the accompanying notes.

A. Unaudited Pro Forma Earnings per Share

	Audited consolidated net profit attributable to owners of the Company for the year ended 31 December 2017 RMB (Notes i, ii)	Unaudited pro forma adjusted consolidated net profit attributable to owners of the Company for the year ended 31 December 2017 RMB (Note iii)	Unaudited pro forma adjusted basic earnings per Share for the year ended December 31 2017 RMB (Note iii)
Assuming full acceptance of the Offer by the Qualifying Shareholders	<u>4,077,897,749.46</u>	<u>4,077,897,749.46</u>	<u>1.26</u>

B. Unaudited Pro Forma Net Assets/Net Tangible Assets

Unaudited Pro Forma Net Assets

	Audited consolidated net assets of the Group attributable to owners of the Company as at 31 December 2017 RMB (Notes iv, v)	Pro forma adjustment RMB (Note vi)	Adjusted unaudited pro forma consolidated net assets of the Group attributable to owners of the Company after the Offer RMB (Note vii)
Assuming full acceptance of the Offer by the Qualifying Shareholders	40,426,771,945.61	(3,848,031,883.32)	36,578,740,062.29

Unaudited Pro Forma Net Tangible Assets

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2017 RMB (Notes iv, v)	Pro forma adjustment RMB (Note vi)	Adjusted unaudited pro forma consolidated net tangible assets of the Group attributable to owners of the Company after the Offer RMB (Note vii)
Assuming full acceptance of the Offer by the Qualifying Shareholders	39,937,731,184.93	(3,848,031,883.32)	36,089,699,301.61

Notes:

- (i): The audited consolidated net profit attributable to owners of the Company for the year ended 31 December 2017 has been extracted from Appendix II to this Offer Document.
- (ii): Basic earnings per Share for the year ended 31 December 2017 before the Offer (based on number of Shares of 3,623,917,038 used in the calculation of basic earnings per Share for the year ended 31 December 2017) is RMB1.13. There was no dilutive potential ordinary shares in issue by the Company.
- (iii): Unaudited pro forma adjusted basic earnings per Share for the year ended 31 December 2017, assuming the Offer had been completed on 1 January 2017, based on pro forma number of shares of 3,235,000,000 (assuming full acceptance of the Offer by the Qualifying Shareholders) is RMB1.26. There was no dilutive potential ordinary shares issued by the Company.
- (iv): The audited consolidated net assets of the Group attributable to owners of the Company as at 31 December 2017 have been extracted from Appendix II to this Offer Document. The audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2017 have been calculated based on the audited consolidated net assets of the Group attributable to the owners of the Company of RMB40,426,771,945.61 as at 31 December 2017 with an adjustment for goodwill, intangible assets and development costs attributable to owners of the Company as at 31 December 2017.
- (v): Audited consolidated net assets and net tangible assets of the Group per Share of the Group attributable to owners of the Company before the Offer (based on number of Shares of 3,623,917,038 in issue as at 31 December 2017) is RMB11.16 and RMB11.02, respectively.
- (vi): Pro forma adjustment: total estimated cost of the Offer

RMB

Total consideration of the Offer will be satisfied by cash (based on the buy-back of 388,917,038 H Shares at a price of HK\$11.78 per Share)*	3,829,627,959.32
Add: Estimated related expenses**	<u>18,403,924.00</u>
Total estimated cost of the Offer	<u><u>3,848,031,883.32</u></u>

* The total consideration of the Offer is converted from HK\$ into RMB at the rate of HK\$1.00 to RMB0.8359, the rate published by the State Administration of Foreign Exchange of the PRC as at 29 December 2017 (the last business day of the year ended 31 December 2017). No representation is made that the amounts in RMB have been, could have been or could be converted into Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.

** The estimated related expenses include financial advisory fee, other professional fees and legal fees, which are directly attributable to the Offer. These estimated expenses of the Offer will be accounted for as a deduction from equity.

- (vii): Adjusted unaudited pro forma consolidated net assets and net tangible assets of the Group per Share attributable to owners of the Company after the Offer based on pro forma number of shares of 3,235,000,000 (assuming full acceptance of the Offer by the Qualifying Shareholders) is RMB11.31 and RMB11.16, respectively.

- (viii): No adjustment has been made to the unaudited pro forma financial information to reflect: (i) the issuance of 315,000,000 A Shares in January 2018; (ii) dividends of RMB0.32 per share for the year ended 31 December 2017 recommended by the Boards; or (iii) any trading results or other transactions of the Group entered into subsequent to 31 December 2017.

Had the net proceeds of RMB3,050,007,849.63 received by the Company and the increase in number of shares of 315,000,000 arising from the issuance of A Shares in January 2018, and dividends of RMB0.32 per share for the year ended 31 December 2017 been taken into account of, the unaudited pro forma adjusted consolidated net assets and net tangible assets of the Group attributable to owners of the Company per share is further adjusted to RMB10.81 and RMB10.67, respectively.

2. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu Certified Public Accountants LLP, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this Offer Document.

Deloitte.

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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF RED STAR MACALLINE GROUP CORPORATION LTD.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Red Star Macalline Group Corporation Ltd. (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma adjusted earnings per share of the Group for the year ended 31 December 2017 and the unaudited pro forma adjusted consolidated net assets/net tangible assets of the Group as at 31 December 2017 and related notes as set out on pages III-1 to III-4 of the offer document issued by the Company dated 24 April 2018 (the “**Offer Document**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages III-1 to III-4 of the Offer Document.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed voluntary conditional cash offer by China International Capital Corporation Hong Kong Securities Limited on behalf of the Company to buy-back up to 388,917,038 H Shares at a price of HK\$11.78 per H Share (the “**Offer**”) on earnings per share of the Group for the year ended 31 December 2017 and consolidated net assets/net tangible assets of the Group as at 31 December 2017 as if the Offer had taken place at 1 January 2017 and 31 December 2017, respectively. As part of this process, information about the Group's financial position and financial performance has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2017, on which an auditor's report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the relevant requirements under the Code on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 1 January 2017 or 31 December 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu Certified Public Accountants LLP

24 April 2018

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

The following is the text of a letter and valuation certificates, prepared for the purpose of incorporation in this Circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer and consultant, in connection with its valuation as at 28 February 2018 of the property interests held by the Group and Dalian Red Star Macalline Investment Development Company Limited.



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Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No.: C-030171

24 April 2018

The Board of Directors
Red Star Macalline Group Corporation Ltd.
36/F, Tower 2
Times Square
1 Matheson Street
Causeway Bay, Hong Kong

Dear Sirs,

On 5 April 2018, the Board of Red Star Macalline Group Corporation Ltd. (the "Company") announced that a voluntary conditional cash offer would be made by China International Capital Corporation Hong Kong Securities Limited on behalf of the Company in compliance with the Share Buy-backs Code, subject to fulfilment of the Conditions, to buy-back for cancellation up to 388,917,038 H Shares, representing approximately 36.59% of the total issued H Share capital of the Company and approximately 9.87% of the total issued share capital of the Company as at the Latest Practicable Date.

In accordance with your instructions to value the properties held by the Company, its subsidiaries and associated companies (hereinafter together referred to as the "Group") categorized as Part A and one property ("Dalian Huanan Mall") held by Dalian Red Star Macalline Investment Development Company Limited ("Dalian Investment"), a connected person (as defined under the Listing Rules) of the Company, categorized as Part B in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at 28 February 2018 (the "valuation date").

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

Dalian Red Star Macalline Investment Development Company is a connected party of the Company and indirectly held as to 62% by Chongqing Red Star Macalline Enterprise Development Co., Ltd. and 38% by Dalian Xinhe Wanbang Property Management Co., Ltd., an Independent Third Party. As advised by the Group, pursuant to relevant Repurchase Framework Agreements and supplemental agreements dated in the year of 2011 and 2012, the Group is under a legally binding obligation to repurchase Dalian Shopping Mall from Shanghai Red Star Macalline Enterprise Management Co.,Ltd., which holds 62% interests of Dalian Investment, and is the actual party in enjoying benefits and assuming risks related to the operation of Dalian Hunnan Mall before the completion of the repurchase. As of June 8, 2015, the Group had paid all the consideration for the repurchase of Dalian Huanan Mall.

As advised by the Group, the financial results of the Dalian Huanan Mall (i.e., the assets, liabilities, income and expenses that are currently held by Dalian Investment directly attributable to Dalian Huanan Mall) have remained consolidated into the Group's financial statements since its disposal. Dalian Huanan Mall is effectively regarded as the Group's Portfolio Shopping Mall. As at the Latest Practicable Date, the relevant procedures for the transfer of Dalian Huanan Mall were still underway.

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

We have valued the property interests in Group I (excluding portions of property nos. 14, 30 and 48) of Part A and property interests in Part B by income approach by taking into account the rental income of the property derived from the existing lease and achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the market values at an appropriate capitalization rate.

In valuing the property interests in Group II and portions of property nos. 14, 30 and 48 of Part A which were under development as at the valuation date, we have assumed that they will be developed and completed in accordance with the latest development proposal provided to us by the Group. In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees expected to be incurred for completing the development.

We have valued the property interests in Group III of Part A by direct comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; Rule 11 of the Code on Takeovers and Mergers issued by Securities and Futures Commission; the RICS Valuation – Global Standards 2017 published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, and particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of State-owned Land Use Rights Certificates, Building Ownership Certificates and Real Estate Title Certificates relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests. We have relied considerably on the advice given by the Company's PRC legal adviser – Llinks Law Offices, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

The site inspection of the properties was carried out in the period from February to April 2017 and in March 2018 by about 14 technical staff including Mr. Arnold Gao, Mr. Michael Yu, Mr. James Liang, Mr. Stone Chen, Ms Zhenni Chen and Ms Evelyn Xu, etc. They are China Certified Real Estate Appraisers/China Qualified Land Valuers/China Certified Public Valuers/Member of RICS and have more than 3 years' experience in the valuation of properties in the PRC. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

This valuation and its conclusions are necessarily based on information provided to us by the Group. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive at an informed view, and we have no reason to suspect that any material information has been withheld.

Neither the whole nor any part of this report or any reference thereto may be included in any document, circular or statement without our prior written approval of the form and context in which it will appear.

This report is for the use only of the party to whom it is addressed, for the specific purposes to which it refers. We are not responsible for any losses arising in relation to reliance on the valuation, or any part of it, by any other party.

As advised by the Company, the potential tax liabilities which would arise on the disposal of the property interests of the Company specified in this report at the amount of the valuation are estimated to be approximately RMB18,868 million. The taxes of the properties mainly include value added tax (5% or 11% of the transaction amount for self-built properties; 5% or 11% of the capital gains for purchased properties), land appreciation tax (30% to 60% of appreciated amount), stamp duty (0.05% of the transaction amount) and income tax (15% or 25% of the capital gains after deducting the potential tax fee in effecting the sales). As confirmed by the Company, these properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time and the Company has no intention to dispose of these properties at present. Therefore, the possibility of the incurrence of such tax liabilities is negligible.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation certificates are attached.

Yours faithfully,
for and on behalf of

Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Eddie T. W. Yiu

MRICS MHKIS RPS (GP)

Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 24 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

SUMMARY OF VALUES

PART A – PROPERTY INTERESTS HELD BY THE GROUP

Group I – Property interests held for investment by the Group in the PRC

No.	Property	Market value in existing state as at 28 February 2018 RMB
1.	A commercial building No. 68 Feilong Road Tianning District Changzhou City Jiangsu Province The PRC	458,000,000
2.	A commercial building No. 72 Feilong Road Tianning District Changzhou City Jiangsu Province The PRC	949,000,000
3.	Wuxi Xishan Mall No. 1 South Tuanjie Road Xishan Economic Development Zone Xishan District Wuxi City Jiangsu Province The PRC	1,857,000,000
4.	Nanjing Kazimen Mall No. 29 Kazimen Street Qinhuai District Nanjing City Jiangsu Province The PRC	3,302,000,000

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

No.	Property	Market value in existing state as at 28 February 2018 <i>RMB</i>
5.	Shanghai Zhenbei Mall No. 129 Meichuan Road Putuo District Shanghai The PRC	1,969,000,000
6.	Shanghai Pudong Hunan Mall No. 518 Linyu Road Pudong New Area Shanghai The PRC	4,033,000,000
7.	Shanghai Wenshui Mall No. 1555 Wenshui Road Baoshan District Shanghai The PRC	3,266,000,000
8.	Shanghai Wuzhong Road Mall No. 1388 Wuzhong Road MinHang District Shanghai The PRC	1,595,000,000
9.	Shanghai Zhenbei Phase II Mall No. 1058 Zhenbei Road Putuo District Shanghai The PRC	4,366,000,000
10.	Jinan Tianqiao Mall No. 225 Beiyuan Street Tianqiao District Jinan City Shandong Province The PRC	1,975,000,000

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

No.	Property	Market value in existing state as at 28 February 2018 RMB
11.	Zhengzhou Shangdu Mall No. 1 Shangdu Road Zhengdong New District Zhengzhou City Henan Province The PRC	3,241,000,000
12.	Hangzhou Gudun Mall No. 701 Gudun Road Xihu District Hangzhou City Zhejiang Province The PRC	No commercial value
13.	Chengdu Wuhou Mall No. 9 Jialing Road Wuhou District Chengdu City Sichuan Province The PRC	1,274,000,000
14.	Wuhan Etouwan Mall located at the eastern side of Qiaoxiao Expressway, the southern side of Third Ring Road and the northern side of Wuhan IKEA Qiaokou District Wuhan City Hubei Province The PRC	1,653,000,000
15.	Shanghai Pudong Jinqiao Mall No. 100 Jinzang Road Pudong New Area Shanghai The PRC	2,529,000,000

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

No.	Property	Market value in existing state as at 28 February 2018 RMB
16.	Yantai Phase II Mall No. 281 Jichang Road Zhifu District Yantai City Shandong Province The PRC	708,000,000
17.	Shenyang Yuhong Mall located at No. 158, Huanghe North Road Yuhong District Shenyang City Liaoning Province The PRC	1,027,000,000
18.	Chongqing Erlang Mall located at the eastern side of Yingbin Street Jiulongpo District Chongqing The PRC	872,000,000
19.	Changsha Yuelu Mall located at the northern side of Yuelu Avenue, the eastern side of Yuehua Road and the western side of Caihong Road Changsha City Hunan Province The PRC	761,000,000
20.	Panjin Xinglong Mall No. 198 Huancheng South Street Xinglongtai District Panjin City Liaoning Province The PRC	363,000,000

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

No.	Property	Market value in existing state as at 28 February 2018 RMB
21.	Shenyang Tiexi Mall No. 35 Bei Er East Road Tiexi District Shenyang City Liaoning Province The PRC	2,846,000,000
22.	Changzhou Wujin Mall No. 599 South Chang Wu Road Wujin District Changzhou City Jiangsu Province The PRC	463,000,000
23.	Chongqing Fuling Mall No. 8-66 Taibai Avenue Lidu New Area Fuling District Chongqing The PRC	339,000,000
24.	Zhongshan Gangkou Mall No. 15 Gangkou Avenue Gangkou Town Zhongshan City Guangdong Province The PRC	354,000,000
25.	Wuxi Taihu Mall located at the western side of Wuhu Avenue and the northern side of Guanshan Road Binhu District Wuxi City Jiangsu Province The PRC	956,000,000

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

No.	Property	Market value in existing state as at 28 February 2018 <i>RMB</i>
26.	<p>Daqing Expo Mall located at the southern side of Shijida Road, the northern side of Wei'er Road and the eastern side of Shuangyong Road High-tech District Daqing City Heilongjiang Province The PRC</p>	619,000,000
27.	<p>Langfang Kaihong Mall No. 33 Nan long Road Anci District Langfang City Hebei Province The PRC</p>	566,000,000
28.	<p>Wuhan Hanyang Mall located at Te No. 8 Longyang Road Hanyang District Wuhan City Hubei Province The PRC</p>	866,000,000
29.	<p>Hefei Silihe Mall located at the western side of Silihe Road and the northern side of Qianshan Road Luyang District Hefei City Anhui Province The PRC</p>	750,000,000

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

No.	Property	Market value in existing state as at 28 February 2018 <i>RMB</i>
30.	Nanjing Pukou Mall located at the northern side of Pukou Avenue Pukou District Nanjing City Jiangsu Province The PRC	1,384,000,000
31.	Huayun Shopping Mall No. 160 Jinbin Avenue Hedong District Tianjin The PRC	1,955,000,000
32.	Tianjin Beichen Mall located at the junction of Jingjin Road and Longmen East Road Beichen District Tianjin The PRC	1,116,000,000
33.	Harbin Xikezhan Mall located at the junction of Chengxiang Road and Hexie Avenue Daoli District Harbin City Heilongjiang Province The PRC	947,000,000
34.	Changchun Yuanda Mall located at the southern side of Hedong Road, the northern side of Yumin Road and the eastern side of Yuanda Street Erdao District Changchun City Jilin Province The PRC	1,044,000,000

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

No.	Property	Market value in existing state as at 28 February 2018 <i>RMB</i>
35.	Shenyang Shopping Mall No. 10 Hunnan West Road Hunnan New District Shenyang City Liaoning Province The PRC	1,708,000,000
36.	Shenyang Tiexi Phase II Mall No. 35 Bei Er East Road Tiexi District Shenyang City Liaoning Province The PRC	526,000,000
37.	Beijing West Fourth-Ring Mall No. 113 West Fourth Ring Road Fengtai District Beijing The PRC	2,352,000,000
38.	Beijing East Fourth-Ring Mall No. 193 East Fourth Ring Middle Road Chaoyang District Beijing The PRC	2,897,000,000
39.	Beijing North Fourth-Ring Mall No. 1 Beishatan Chaoyang District Beijing The PRC	No commercial value

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

No.	Property	Market value in existing state as at 28 February 2018 <i>RMB</i>
40.	Tianjin Dongli Mall No. 427 Jintang Road Dongli District Tianjin The PRC	759,000,000
41.	Xinglong Shopping Mall No. 1969 Puxing Highway Pujiang Town Minhang District Shanghai The PRC	1,105,000,000
42.	Shanghai Jinshan Mall No. 1858 Hangzhou Wan Avenue Jinshan District Shanghai City The PRC	550,000,000
43.	Yunnan Shopping Mall No. 318 Guangfu Road Xishan District Kunming City Yunnan Province The PRC	857,000,000
44.	Dongguan Wanjiang Mall located at the junction of Wandao Road and Sihuan Road Wanjiang District Dongguan City Fujian Province The PRC	438,000,000

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

No.	Property	Market value in existing state as at 28 February 2018 RMB
45.	<p>Hushi Yuquan Mall located at the western side of Xilinguole Road and the southern side of South Second Road Yuquan District Hohhot City Inner Mongolia The PRC</p>	725,000,000
46.	<p>Suzhou Zhongxiang Mall No. 1 Yangqing Suzhou Industrial Park Suzhou City Jiangsu Province The PRC</p>	1,085,000,000
47.	<p>Suzhou Mudu Mall located at the western side of Changjiang Road and the northern side of Sufu Road Mudu Town Wuzhong District Suzhou City Zhejiang Province The PRC</p>	743,000,000
48.	<p>Red Star East China Logistics Park Phase I, and 2 buildings known as Red Star East China Logistics Park Phase II Longtang Village, Cuozen Town Feidong County Hefei City Anhui Province The PRC</p>	268,000,000

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

No.	Property	Market value in existing state as at 28 February 2018 RMB
49.	Lanzhou Red Star International Plaza No. 1 Feiyan Road High-tech New District Lanzhou City Gansu Province The PRC	774,000,000
50.	Hefei Yuxi Mall located at the junction of Hema Road and Dongfeng Avenue Cuozen Town Feidong County Hefei City Anhui Province The PRC	502,000,000
51.	Chengdu Dongtai Mall No. 6 West Yi Section Second Ring Road Wuhou District Chengdu City Sichuan Province The PRC	1,768,000,000
52.	Wuhu Minghui Mall No. 58 Tianmenshan East Road Jiujiang District Wuhu City Anhui Province The PRC	784,000,000
	Subtotal:	<hr/> 68,244,000,000 <hr/>

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

Group II – Property interests held under development by the Group in the PRC

No.	Property	Market value in existing state as at 28 February 2018 <i>RMB</i>
53.	A building known as Tianjin Tanggu Mall under construction located at the southern side of Yunshan Road Binhai New Area Tianjin The PRC	974,000,000
54.	2 buildings known as Harbin Songbei Mall under construction located at the southern side of Zhongyuan Avenue Songbei District Harbin City Heilongjiang Province The PRC	1,033,000,000
55.	A building known as Kunming Panlong Mall under construction located at the junction of Fengyuan Road and Kunqu Highway Panlong District Kunming City Yunnan Province The PRC	376,000,000
56.	A building known as Urumqi Shibo Mall under construction located at the eastern side of Huizhan Avenue, the western side of Jingba Road and the northern side of Suzhou Road Shuimogou District Urumqi City Xinjiang Uyghur Autonomous Region The PRC	789,000,000

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

No.	Property	Market value in existing state as at 28 February 2018 <i>RMB</i>
57.	<p>A commercial complex known as Tianfu Shimao Plaza under construction located at the junction of Jiannan Avenue and Muhua Road Tianfu New District Chengdu City Sichuan Province The PRC</p>	552,000,000
58.	<p>A commercial building known as Changsha Jinxia Mall under construction located at the south-eastern side of the junction of Kaifu Avenue and Baiye Road Kaifu District Changsha City Hunan Province The PRC</p>	190,000,000
59.	<p>A logistics park known as Hefei Red Star Macalline Logistics Park under construction located at the northern side of Tielu North Road, the southern side of Xinshijie Road, and the eastern side of Dongfeng Avenue Cuozen Village Feidong Town Hefei City Anhui Province The PRC</p>	96,000,000

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

No.	Property	Market value in existing state as at 28 February 2018 RMB
60.	A building known as Xining Shibo Mall under construction located at the junction of South Wusi Road and Wenbo Road Haihu New District Xining City Qinghai Province The PRC	370,000,000
61.	A building known as Chengdu Tianfu Shibo Mall under construction located at triangle plot surrounded by Tianfu Avenue, Laochengren Road and Dongshan Avenue Tianfu New District Chengdu The PRC	192,000,000
	Subtotal:	<hr/> 4,572,000,000 <hr/> <hr/>

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

Group III – Property interests held for future development by the Group in the PRC

No.	Property	Market value in existing state as at 28 February 2018 RMB
62.	A parcel of land known as Tianjin Jinghai Logistics Center located at the eastern side of Chaoyang Road in the International Trade Logistics Park Jinghai District Tianjin The PRC	49,000,000
63.	2 parcels of land known as Chongqing Red Star Macalline Logistics Center located at the eastern side of Longan Avenue and between Henger Road and Hengsan Road in the Central Business Zone Shapingba District Chongqing City The PRC	247,000,000
	Sub-total:	<hr/> 296,000,000 <hr/>
	GRAND-TOTAL FOR PART A:	<hr/> 73,112,000,000 <hr/>

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

**PART B – PROPERTY INTERESTS HELD BY DALIAN RED STAR MACALLINE INVESTMENT
DEVELOPMENT COMPANY LIMITED**

No.	Property	Market value in existing state as at 28 February 2018 RMB
64.	Dalian Huanan Mall located at the western side of Huadong Road and the northern side of Zhonghua Road Ganjingzi District Dalian City Liaoning Province The PRC	1,242,000,000
TOTAL FOR PART B:		<hr/> 1,242,000,000 <hr/>

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

PART A – PROPERTY INTERESTS HELD BY THE GROUP

Group I – Property interests held for investment by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
1.	A commercial building No. 68 Feilong Road Tianning District Changzhou City Jiangsu Province The PRC	The property comprises a parcel of land with a site area of approximately 9,933.40 sq.m. and a 5-storey commercial building erected thereon known as part of Changzhou Feilong Mall which was completed in October 2002.	As advised by the Group, the property was rented to various parties for commercial use as at the valuation date.	458,000,000

The property is located at the southern side of Zhulin South Road, the northern side of Qinglong West Road, the western side of Hongmei South Village and eastern side of Hongmei West Village in Tianning District. This area is well-served by good facilities and convenient traffic along the main roads. The surrounding environment is a commercial area supported by retail stores and commercial buildings.

The property has a total gross floor area of approximately 34,012.46 sq.m. The details are set out as following:

Floor	Gross Floor Area (sq.m.)
Level 1	7,992.77
Level 2	7,751.20
Level 3	7,751.20
Level 4	7,604.50
Level 5	2,912.79
Total:	<u>34,012.46</u>

The land use rights of the property have been granted for a term expiring on 18 October 2043 for commercial use.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Chang Guo Yong (2002) Di No. 000135, the land use rights of the property with a site area of approximately 9,933.40 sq.m. were granted to Changzhou Macalline International Computer and Electronics Furnishing Plaza Co., Ltd. (“Changzhou Macalline”), a direct wholly-owned subsidiary of the Company, for a term expiring on 8 October 2042 for commercial use.
2. Pursuant to a Building Ownership Certificate – Chang Fang Quan Zheng Di No. 00092399, the property with a total gross floor area of approximately 34,012.46 sq.m. is owned by Changzhou Macalline.
3. Pursuant to 313 Exhibition Space Agreements, the property is leased to various tenants for commercial purpose with the expiry dates between 28 February 2018 to 31 January 2020 at a total monthly rent receivable as at the valuation date of approximately RMB4,117,000.
4. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB105 to RMB140 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 8% for commercial purpose as the capitalization rate in the valuation.
5. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:

Changzhou Macalline legally owns the land use rights and building ownership rights of the property.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
2.	A commercial building No. 72 Feilong Road Tianning District Changzhou City Jiangsu Province The PRC	The property comprises a parcel of land with a site area of approximately 36,430 sq.m. and a 5-storey commercial building (plus one level basement) erected thereon known as a part of Changzhou Feilong Mall which was completed in December 2004.	As advised by the Group, the property was rented to various parties as at the valuation date.	949,000,000

The property is located at the southern side of Zhulin South Road, the northern side of Qinglong West Road, the western side of Hongmei South Village and the eastern side of Hongmei West Village in Tianning District. This area is well-served by good facilities and convenient traffic along the main roads. The surrounding environment is a commercial area supported by retail stores and commercial buildings.

The property has a total gross floor area of approximately 87,562.96 sq.m. The details are set out as following:

Floor	Gross Floor Area (sq.m.)
Basement Level 1	16,499.30
Level 1	13,178.18
Level 2	14,374.61
Level 3	14,504.99
Level 4	14,678.94
Level 5	14,326.94
Total:	<u>87,562.96</u>

The land use rights of the property have been granted for a term expiring on 1 December 2042 for commercial use.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Chang Guo Yong (2004 Bian) Zi Di No. 000382, the land use rights of the property with a site area of approximately 36,430.00 sq.m. were granted to Changzhou Worldwide Home Living and Furnishing Plaza Company Limited (“Changzhou Worldwide”), a wholly owned subsidiary of the Company, for a term expiring on 1 December 2042 for commercial use.
2. Pursuant to a Building Ownership Certificate – Chang Fang Quan Zheng Zi Di No. 00177139, the property with a gross floor area of approximately 87,562.96 sq.m. is owned by Changzhou Worldwide.
3. Pursuant to 244 Exhibition Space Agreements, the property is leased to various tenants for commercial purpose with the expiry dates between 31 March 2018 to 31 May 2018 at a total monthly rent receivable as at the valuation date of approximately RMB8,249,000.
4. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB60 to RMB140 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 8% for commercial purpose as the capitalization rate in the valuation.
5. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:

Changzhou Worldwide legally owns the land use rights and building ownership rights of the property.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
3.	Wuxi Xishan Mall No. 1 South Tuanjie Road Xishan Economic Development Zone Xishan District Wuxi City Jiangsu Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 126,300.80 sq.m. and two 4-storey and one 5-storey commercial buildings which were completed between 2003 and 2008.</p> <p>The property is located at the No. 1 South Tuanjie Road in Xishan District. This area is well-served by good facilities and convenient traffic along the main roads. The surrounding environment is a commercial area supported by retail stores and commercial buildings.</p> <p>The property has a total gross floor area of approximately 187,752.83 sq.m. The details are set out as following:</p>	As advised by the Group, the property was rented to various parties as at the valuation date.	1,857,000,000

Pavilion 1

Floor	Gross Floor Area (sq.m.)
Level 1	21,944.29
Level 2	20,318.78
Level 3	20,318.76
Level 4	17,865.47
Total:	<u>80,447.30</u>

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 <i>RMB</i>
		Pavilion 2		
			Gross Floor	
		Floor	Area <i>(sq.m.)</i>	
		Level 1	13,589.58	
		Level 2	12,694.47	
		Level 3	12,670.05	
		Level 4	12,400.58	
		Level 5	12,116.37	
		Total:	63,471.05	
		Pavilion 3		
			Gross Floor	
		Floor	Area <i>(sq.m.)</i>	
		Level 1	18,576.43	
		Level 2	17,622.21	
		Level 3-4	7,635.84	
		Total:	43,834.48	
		All Total:	187,752.83	

The land use rights of the properties have been granted for various terms expiring on 29 July 2045, 2 March 2049 and 18 June 2059 for commercial use.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

Notes:

1. Pursuant to 3 State-owned Land Use Rights Certificates – Xi Tu Guo Yong (2000) Di No. 203 and Xi Tu Guo Yong (2001) Di No.0543 and Xi Xi Guo Yong (2005) Di No.0545, the land use rights of the properties with a site area of approximately 126,300.80 sq.m. were granted to Wuxi Red Star Macalline International Home Furnishing Company Limited (“Wuxi Home Furnishing”), a wholly owned subsidiary of the Company, for various terms expiring on 25 July 2045 and 2 March 2049 and 18 June 2051 for commercial use.
2. Pursuant to 3 Building Ownership Certificates – Xi Fang Quan Zheng Dongting Zi Di Nos. 19019473 and 19031296, Xi Fang Quan Zheng Xishan Zi Di No. XS1000104001, the property with a total gross floor area of approximately 187,752.83 sq.m. is owned Wuxi Home Furnishing.
3. Pursuant to 517 Exhibition Space Agreements, the property is leased to various tenants for commercial purpose with the expiry dates between 28 February 2018 to 31 August 2019 at a total monthly rent receivable as at the valuation date of approximately RMB11,136,000.
4. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB65 to RMB150 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 7% for commercial purpose as the capitalization rate in the valuation.
5. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:

Wuxi Home Furnishing legally owns the land use rights and building ownership rights of the property.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
4.	Nanjing Kazimen Mall No. 29 Kazimen Street Qinhuai District Nanjing City Jiangsu Province The PRC	The property comprises a parcel of land with a site area of approximately 54,796.10 sq.m. and a 4-storey commercial building (plus 2 levels basement) and an official building erected thereon which were completed in January 2010.	As advised by the Group, the property was rented to various parties as at the valuation date.	3,302,000,000

The property is located at No. 29 Kazimen Street Qinhuai District. This area is well-served by good facilities and convenient traffic along the main roads.

The property has a total gross floor area of approximately 170,627.42 sq.m. The details are set out as following:

Floor	Gross Floor Area (sq.m.)
Commercial Building	
Basement Level 2	28,074.15
Basement Level 1	28,074.15
Level 1	28,357.90
Level 2	28,357.90
Level 3	28,357.90
Level 4	28,539.79
Level 5	465.64
Sub-total:	170,227.42
Office Building	
Level 1	200.00
Level 2	200.00
Sub-total	400.00
Grand- total:	170,627.42

The land use rights of the property have been granted for a term expiring on 25 February 2047 for commercial use.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Ning Qin Guo Yong (2007) Di No. 07080, the land use rights of the property with a site area of approximately 54,796.10 sq.m. were granted to Nanjing Mingdu Home Furnishing Plaza Company Limited (“Nanjing Mingdu”), a wholly owned subsidiary of the Company, for a term expiring on 25 February 2047 for commercial use.
2. Pursuant to a Building Ownership Certificate – Ning Fang Quan Qin Chu Zi Di No. 301272, portions of the property with a total gross floor area of approximately 168,444.89 sq.m. are owned by Nanjing Mingdu.
3. In the valuation of this property, we have attributed no commercial value to portions of the property with a gross floor area of approximately 2,182.53 sq.m. which have not obtained any construction approval and Building Ownership Certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these portions (excluding land) as at the valuation date would be RMB4,262,000.
4. Pursuant to 516 Exhibition Space Agreements, the property is leased to various tenants for commercial purpose with the expiry dates between 28 February 2018 to 05 January 2019 at a total monthly rent receivable as at the valuation date of approximately RMB25,474,000.
5. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB196 to RMB230 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 6.5% for commercial purpose as the capitalization rate in the valuation.
6. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:

Nanjing Mingdu legally owns the land use rights and building ownership rights of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
5.	Shanghai Zhenbei Mall No. 1129 Meichuan Road Putuo District Shanghai The PRC	The property comprises a parcel of land with a site area of approximately 28,590 sq.m. and a 4-storey commercial building erect thereon which was completed in October 2000.	As advised by the Group, the property was rented to various parties as at the valuation date.	1,969,000,000

The property is located at the eastern side of Zhenbei Road, the northern side of Nujiang North Road, the western side of Danba Road and the southern side of Meichuan Road in Putuo District. This area is well-served by good facilities and convenient traffic along the main roads. The surrounding environment is a commercial area supported by retail stores and commercial buildings.

The property has a total gross floor area of approximately 61,655.21 sq.m. The details are set out as following:

Floor	Gross Floor Area (sq.m.)
Level 1	15,506.34
Level 2	15,451.92
Level 3	15,470.33
Level 4	<u>15,226.62</u>
Total:	<u><u>61,655.21</u></u>

The land use rights of the property have been granted for a term expiring on 7 October 2043 for commercial use.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Pu Zi (2004) Di No. 014972, the property with a total gross floor area of 61,655.21 sq.m. is owned by Shanghai Red Star Macalline Home Furnishing City Company Limited. (“Shanghai Furnishing City”), a 94% interest owned subsidiary of the Company, and the land use rights of the property with a site area of approximately 28,590 sq.m. were granted to Shanghai Furnishing City for a term expiring on 7 October 2043 for commercial use.
2. Pursuant to various Exhibition Space Agreements, the property with a total lettable area of approximately 54,940.87 sq.m. are rented to various parties for various terms with the expiry date on 31 March 2018 at a total passing annual rent of RMB159,891,749 for commercial purpose.
3. Pursuant to 347 Exhibition Space Agreements, the property is leased to various tenants for commercial purpose with the expiry dates between 28 February 2018 to 31 August 2018 at a total monthly rent receivable as at the valuation date of approximately RMB13,932,000.
4. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB135 to RMB328 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 6% for commercial purpose as the capitalization rate in the valuation.
5. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:

Shanghai Furnishing City legally owns the land use rights and building ownership rights of the property.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
6.	Shanghai Pudong Hunan Mall No. 518 Linyu Road Pudong New Area Shanghai The PRC	The property comprises a parcel of land with a site area of approximately 56,868 sq.m. and a 7-storey commercial building (plus two levels of basement) erected thereon which was completed in May 2010.	As advised by the Group, the property was rented to various parties as at the valuation date.	4,033,000,000

The property is located at the No. 518 Linyu Road in Pudong District. This area is well-served by good facilities and convenient traffic along the main roads.

The property has a total gross floor area of approximately 237,337.36 sq.m. The details are set out as following:

Floor	Gross Floor Area (sq.m.)
Basement Level 2	39,811.57
Basement Level 1	39,367.52
Level 1	26,759.83
Level 2	26,606.24
Level 3	26,606.24
Level 4	26,606.24
Level 5	26,606.21
Level 6	24,973.51
Total:	<u>237,337.36</u>

The land use rights of the property have been granted for terms expiring on 8 August 2046 for commercial use and on 8 August 2056 for office use.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Pu Zi (2015) No. 013877, the property with a gross floor area of approximately 237,337.36 sq.m. is owned by Shanghai Red Star Macalline Global Home Living Company Limited (“Shanghai Global”), a wholly owned subsidiary of the Company and the land use rights of the property with a site area of approximately 56,868 sq.m. were granted to Shanghai Global Home Living for a term expiring on 8 August 2046 for commercial use and on 8 August 2056 for office use.
2. Pursuant to 557 Exhibition Space Agreements, the property is leased to various tenants for commercial purpose with the expiry dates between 28 February 2018 to 30 April 2019 at a total monthly rent receivable as at the valuation date of approximately RMB29,627,000.
3. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB101 to RMB258 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 6% for commercial purpose as the capitalization rate in the valuation.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:

Shanghai Global legally owns the land use rights and building ownership rights of the property.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
7.	Shanghai Wenshui Mall No. 1555 Wenshui Road Baoshan District Shanghai The PRC	The property comprises a parcel of land with a site area of approximately 51,375 sq.m. and a 6-storey commercial building (plus one level basement) erected thereon which was completed in January 2009.	As advised by the Group, the property was rented to various parties as at the valuation date.	3,266,000,000

The property is located at the No. 1555 Wenshui Road in Baoshan District. This area is well-served by good facilities and convenient traffic along the main roads. The surrounding environment is a commercial area supported by retail stores and commercial buildings.

The property has a total gross floor area of approximately 139,456.63 sq.m. The details are set out as following:

Floor	Gross Floor Area (sq.m.)
Basement Level 1	36,609.00
Level 1	24,825.61
Level 2	26,136.33
Level 3	26,031.49
Level 4	25,854.20
Total:	<u>139,456.63</u>

The land use rights of the property have been granted for a term expiring on 30 March 2046 for commercial use.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Bao Zi (2012) Di No. 022036, the property with a gross floor area of approximately 139,456.63 sq.m. is owned by Shanghai Shanhai Art Furniture Company Limited (“Shanghai Art Furniture”), a 90% interest owned subsidiary of the Company and the land use rights of the property with a site area of approximately 51,375 sq.m. were granted to Shanghai Art Furniture for a term expiring on 30 March 2046 for commercial use.
2. Pursuant to 620 Exhibition Space Agreements, the property is leased to various tenants for commercial purpose with the expiry dates between 28 February 2018 to 31 March 2019 at a total monthly rent receivable as at the valuation date of approximately RMB29,027,000.
3. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB166 to RMB276 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 6% for commercial purpose as the capitalization rate in the valuation.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:

Shanghai Art Furniture legally owns the land use rights and building ownership rights of the property.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
8.	Shanghai Wuzhong Road Mall No. 1388 Wuzhong Road MinHang District Shanghai The PRC	The property comprises a parcel of land with a site area of approximately 24,347 sq.m. and a 6-storey commercial building (plus two levels basement) erected thereon which was completed in January 2013.	As advised by the Group, the property was rented to various parties as at the valuation date.	1,595,000,000

The property is located at the southern side of Wuzhong Road, the western side of Hongjing Road and the eastern side of Jinhui Road Minghang District. This area is well-served by good facilities and convenient traffic along the main roads.

The property has a total gross floor area of approximately 99,949.38 sq.m.. The details are set out as following:

Floor	Gross Floor Area (sq.m.)
Basement Level 2	17,852.60
Basement Level 1	17,071.78
Level 1	11,083.00
Level 2	12,843.00
Level 3	12,843.00
Level 4	12,843.00
Level 5	12,843.00
Level 6	2,570.00
Total:	99,949.38

The land use rights of the property have been granted for a term expiring on 31 May 2051 for commercial use.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Min Zi (2014) Di No. 004204, the property with a gross floor area of approximately 99,949.38 sq.m. is owned by Shanghai Hongxin Oukai Home Living Company Limited (“Shanghai Hongxin Oukai”), a 50% interest owned subsidiary of the Company and the land use rights of the property with a site area of approximately 24,347 sq.m. were granted to Shanghai Hongxin Oukai for a term expiring on 31 May 2051 for commercial use.
2. Pursuant to 168 Exhibition Space Agreements, the property is leased to various tenants for commercial purpose with the expiry dates between 28 February 2018 to 28 February 2019 at a total monthly rent receivable as at the valuation date of approximately RMB10,800,000.
3. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB135 to RMB275 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 6% for commercial purpose as the capitalization rate in the valuation.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:

Shanghai Hongxin Oukai legally owns the land use rights and building ownership rights of the property.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
9.	Shanghai Zhenbei Phase II Mall No. 1058 Zhenbei Road Putuo District Shanghai The PRC	The property comprises a parcel of land with a site area of approximately 54,217 sq.m. and a 6-storey commercial building (plus two levels basement) erected thereon which was completed in January 2008.	As advised by the Group, the property was rented to various parties as at the valuation date.	4,366,000,000

The property is located at the No. 1058 Zhenbei Road in Putuo District. This area is well-served by good facilities and convenient traffic along the main roads. The surrounding environment is a commercial area supported by retail stores and commercial buildings.

The property has a total gross floor area of approximately 185,660.65 sq.m. The details are set out as following:

Floor	Gross Floor Area (sq.m.)
Basement Level 1	36,606.05
Level 1&2	52,433.35
Level 3	25,804.93
Level 4-6	<u>70,816.32</u>
Total:	<u>185,660.65</u>

The land use rights of the property have been granted for a term expiring on 15 February 2054 for composite use.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Pu Zi (2013) Di No. 004517, the subject building with a gross floor area of approximately 234,582.08 sq.m. (including the property) is owned by Shanghai Xinwei Home Purchasing Company Limited (“Shanghai Xinwei”), a 96% interest owned subsidiary of the Company and the land use rights of the property with a site area of approximately 54,217 sq.m. were granted to Shanghai Xinwei, for a term expiring on 15 February 2054 for composite use.
2. Pursuant to 541 Exhibition Space Agreements, the property is leased to various tenants for commercial purpose with the expiry dates between 28 February 2018 to 31 December 2019 at a total monthly rent receivable as at the valuation date of approximately RMB27,631,000.
3. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB105 to RMB260 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 6% for commercial purpose as the capitalization rate in the valuation.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:

Shanghai Xinwei legally owns the land use rights and building ownership rights of the property.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
10.	Jinan Tianqiao Mall No. 225 Beiyuan Street Tianqiao District Jinan City Shandong Province The PRC	<p>The property comprises 4 parcels of land with a total site area of approximately 45,974.80 sq.m. and a 7-storey commercial building (plus one level basement) erected thereon which was completed in 2010.</p> <p>The property is located at the northern side of Beiyuan Street and eastern side of Lishanbei Road in Tianqiao District. This area is well-served by good facilities and convenient traffic along the main roads. The surrounding environment is a commercial area supported by home living furnishing shopping malls and commercial buildings.</p> <p>The property has a total gross floor area of approximately 157,216.00 sq.m.</p> <p>The land use rights of the property have been granted for terms expiring on 29 June 2045, 20 April 2048 and 10 November 2048 for commercial use.</p>	As advised by the Group, the property was rented to various parties for commercial use at the valuation date.	1,975,000,000

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

Notes:

1. Pursuant to 4 State-owned Land Use Rights Certificates – Tian Qiao Guo Yong (2011) Di Nos. 0400049, 0400050, 0400051 and 0400052, the land use rights of 4 parcels of land with a total site area of approximately 45,974.80 sq.m. have been granted to Jinan Red Star Macalline Shibo Home Furnishing Plaza Company Limited (“Jinan Shibo”), a 70% interest owned subsidiary of the Company for terms expiring on 29 June 2045, 20 April 2048 and 10 November 2048 for commercial use.
2. Pursuant to a Building Ownership Certificate – Ji Fang Quan Zheng Tian Zi Di No. 203107, the building with a total gross floor area of approximately 157,216.00 sq.m. are owned by Jinan Shibo for commercial use.
3. Pursuant to 490 Exhibition Space Agreements, the property is leased to various tenants for commercial purpose with the expiry dates between 28 February 2018 to 31 October 2018 at a total monthly rent receivable as at the valuation date of approximately RMB15,675,000.
4. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB110 to RMB170 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 7% for commercial purpose as the capitalization rate in the valuation.
5. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:

Jinan Shibo legally owns the land use rights and building ownership rights of the property.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB																								
11.	Zhengzhou Shangdu Mall No. 1 Shangdu Road Zhengdong New District Zhengzhou City Henan Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 47,171.11 sq.m. and 2 commercial buildings erected thereon which were respectively completed in December 2008 and August 2011.</p> <p>The property is located at No. 1 Shangdu Road, the southern side of Shangdu Road and the eastern side of Zhongzhou Avenue in Zhengdong New District. This area is well-served by good facilities and convenient traffic along the main roads.</p> <p>The property has a total gross floor area of approximately 177,944.64 sq.m. The details are set out as following:</p>	As advised by the Group, the property was rented to various parties as at the valuation date.	3,241,000,000																								
		<table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Floor</th> <th style="text-align: right;">Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td colspan="2">Building A</td> </tr> <tr> <td>Basement Level 1</td> <td style="text-align: right;">13,494.52</td> </tr> <tr> <td>Level 1</td> <td style="text-align: right;">12,655.00</td> </tr> <tr> <td>Level 2</td> <td style="text-align: right;">12,666.73</td> </tr> <tr> <td>Level 3</td> <td style="text-align: right;">12,666.73</td> </tr> <tr> <td>Level 4</td> <td style="text-align: right;">12,494.07</td> </tr> <tr> <td>Level 5</td> <td style="text-align: right;">12,494.07</td> </tr> <tr> <td>Level 6</td> <td style="text-align: right;">12,494.07</td> </tr> <tr> <td>Level 7</td> <td style="text-align: right;">1,700.00</td> </tr> <tr> <td>Level 9</td> <td style="text-align: right; border-top: 1px solid black;">88.24</td> </tr> <tr> <td>Sub-total</td> <td style="text-align: right; border-top: 3px double black;">90,753.43</td> </tr> </tbody> </table>	Floor	Gross Floor Area (sq.m.)	Building A		Basement Level 1	13,494.52	Level 1	12,655.00	Level 2	12,666.73	Level 3	12,666.73	Level 4	12,494.07	Level 5	12,494.07	Level 6	12,494.07	Level 7	1,700.00	Level 9	88.24	Sub-total	90,753.43		
Floor	Gross Floor Area (sq.m.)																											
Building A																												
Basement Level 1	13,494.52																											
Level 1	12,655.00																											
Level 2	12,666.73																											
Level 3	12,666.73																											
Level 4	12,494.07																											
Level 5	12,494.07																											
Level 6	12,494.07																											
Level 7	1,700.00																											
Level 9	88.24																											
Sub-total	90,753.43																											

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
		Floor	Gross Floor Area (sq.m.)	
		Building B		
		Basement Level 1	12,797.98	
		Level 1	12,239.42	
		Level 2	12,346.08	
		Level 3	12,345.88	
		Level 4	12,345.88	
		Level 5	12,345.88	
		Level 6	11,979.88	
		Level 7	790.21	
		Sub-total	87,191.21	
		Grand-Total:	177,944.64	

The land use rights of the property have been granted for a term expiring on 13 September 2045 for commercial use.

Notes:

- Pursuant to a State-owned Land Use Rights Certificate – Zheng Guo Yong (2013) Di No. XQ081, the land use rights of the property with a site area of approximately 47,171.1 sq.m. were granted to Zhengzhou Red Star Macalline International Home Living Company Limited (“Zhengzhou International”), a 60% interest owned subsidiary of the Company for a term expiring on 13 September 2045 for commercial use.
- Pursuant to 20 Building Ownership Certificates – Zheng Fang Quan Zheng Zi Di No. 1301203454, No. 1301203508, No. 1301203431, No. 1301203444, No. 1301203424, No. 1301203426, No. 1301203425, No. 1301202126, No. 1301202120, No. 1301202137, No. 1301202026, No. 1301202130, No. 1301202124, No. 1301202133, No. 1301202199, No. 1301202193, No. 1301202196, No. 1301203515 and No. 1301203519, portions of the property with a total gross floor area of approximately 176,244.64 sq.m. are owned by Zhengzhou International.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

3. In valuing of the property, we have attributed no commercial value to portions of the property with a gross floor area of approximately 1,700 sq.m. which have not obtained any construction approval and Building Ownership Certificates. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these portions (excluding the land) as at the valuation date would be RMB2,284,000.
4. Pursuant to 712 Exhibition Space Agreements, the property is leased to various tenants for commercial purpose with the expiry dates between 28 February 2018 to 31 May 2018 at a total monthly rent receivable as at the valuation date of approximately RMB24,946,000.
5. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB58 to RMB183 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 6.5% for commercial purpose as the capitalization rate in the valuation.
6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

Zhengzhou International legally owns the land use rights and building ownership rights of the property.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
12.	Hangzhou Gudun Mall No. 701 Gudun Road Xihu District Hangzhou City Zhejiang Province The PRC	<p>The property comprises the Level 2 of a 15-storey commercial building (plus one level basement) which was completed in 2009.</p> <p>The property is located at the southern side of Yuyin Road, the northern side of Xinfeng Road, the western side of Gudun Road and the eastern side of Zijinghua Road in Xihu District. This area is well-served by good facilities and convenient traffic along the main roads. The surrounding environment is a commercial area supported by retail stores and commercial buildings.</p> <p>The property has a total gross floor area of approximately 13,483.36 sq.m.</p> <p>The land use rights of the property have been granted for a term expiring on 21 May 2046 for commercial use.</p>	As advised by the Group, the property was rented to various parties as at the valuation date.	No commercial value

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

Notes:

1. Pursuant to a Property Transfer Supplementary Agreement, entered into between Hangzhou Zijin Industrial Investment Company Limited and Shanghai Red Star Macalline Enterprise Management Company Limited, the property with a gross floor area of approximately 13,483.36 sq.m. was contracted to be transferred to Hangzhou Red Star Macalline Shibo Home Living Limited Company (“Hangzhou Shibo”), a wholly-owned subsidiary of the Company, at a consideration of RMB70,000,000.
2. Pursuant to a Building Ownership Certificate – Hang Fang Quan Zheng Xi Zi Di No.10300119, the subject building with a gross floor area of approximately 93,089.94 sq.m. (including the property) is owned by Hangzhou Huanglongdong Share Economic Cooperatives.
3. Pursuant to 50 Exhibition Space Agreements, the property is leased to various tenants for commercial purpose with the expiry dates on 30 April 2018 at a total monthly rent receivable as at the valuation date of approximately RMB2,101,000.
4. In the valuation of this property, we have attributed no commercial value to the property which has not obtained Land Use Rights Certificate and Building Ownership Certificate under the name of the Group. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB237,000,000 assuming all relevant title certificates have been obtained and the property could be freely transferred.
5. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of the comparable commercial unit from RMB160 to RMB180 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 7% for commercial purpose as the capitalization rate in the valuation.
6. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:

It has not been found any material legal impediment for Hangzhou Shibo in obtaining the Real Estate Title Certificate after obtaining the necessary approval and consent according to the relevant laws and regulations, as well as binding contracts and other legal instruments and paying off the relevant stipulated fees.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB																
13.	Chengdu Wuhou Mall No. 9 Jialing Road Wuhou District Chengdu City Sichuan Province The PRC	<p>The property comprises one 5-storey commercial building (plus one level basement) which was completed in March 2007.</p> <p>The property is located at the southern side of Changyi Road, the northern side of 2nd Ring Road, the western side of Jialing Road and the eastern side of Dongjiawan north Road in Wuhou District. This area is gather the home furnishing shopping mall and convenient traffic along the main roads. The surrounding environment is a commercial area supported by retail stores and commercial buildings.</p> <p>The property has a total gross floor area of approximately 77,331.39 sq.m. The details are set out as following:</p> <table border="0" style="margin-left: 40px; width: 60%;"> <thead> <tr> <th style="text-align: left;">Floor</th> <th style="text-align: right;">Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Basement Level 1</td> <td style="text-align: right;">15,161.83</td> </tr> <tr> <td>Level 1</td> <td style="text-align: right;">12,849.79</td> </tr> <tr> <td>Level 2</td> <td style="text-align: right;">12,481.38</td> </tr> <tr> <td>Level 3</td> <td style="text-align: right;">12,448.53</td> </tr> <tr> <td>Level 4</td> <td style="text-align: right;">12,202.63</td> </tr> <tr> <td>Level 5</td> <td style="text-align: right; border-top: 1px solid black;">12,187.23</td> </tr> <tr> <td>Total:</td> <td style="text-align: right; border-top: 3px double black;">77,331.39</td> </tr> </tbody> </table>	Floor	Gross Floor Area (sq.m.)	Basement Level 1	15,161.83	Level 1	12,849.79	Level 2	12,481.38	Level 3	12,448.53	Level 4	12,202.63	Level 5	12,187.23	Total:	77,331.39	As advised by the Group, the property was rented to various parties as at the valuation date.	1,274,000,000
Floor	Gross Floor Area (sq.m.)																			
Basement Level 1	15,161.83																			
Level 1	12,849.79																			
Level 2	12,481.38																			
Level 3	12,448.53																			
Level 4	12,202.63																			
Level 5	12,187.23																			
Total:	77,331.39																			

The land use rights of the property have been granted for terms expiring on 31 January 2047 for commercial use and expiring on 31 January 2077 for car-parking use.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

Notes:

1. Pursuant to 8 State-owned Land Use Rights Certificates – Wu Guo Yong (2011) Di Nos. 16876, 16864, 16818, 16865, 16901, 16900, 16863 and 5046, the land use rights of the property were granted to Chengdu Changyi Red Star Macalline Home Living Market Management Company Limited (“Chengdu Changyi”), a 50% interest owned subsidiary of the Company for terms expiring on 31 January 2047 for commercial use and on 31 January 2077 for car-parking use.
2. Pursuant to 8 Building Ownership Certificates – Cheng Fang Quan Zheng Jian Zheng Zi Di Nos. 2788955, 2788956, 2788957, 2788958, 2788959, 2788963, 2788968 and 3417357, the property with a gross floor area of approximately 77,331.39 sq.m. is owned by Chengdu Changyi.
3. Pursuant to 242 Exhibition Space Agreements, the property is leased to various tenants for commercial purpose with the expiry dates between 28 February 2018 to 8 August 2018 at a total monthly rent receivable as at the valuation date of approximately RMB9,191,000.
4. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB130 to RMB200 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 7% for commercial purpose as the capitalization rate in the valuation.
5. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:

Chengdu Changyi legally owns the land use rights and building ownership rights of the property.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
14.	Wuhan Etouwan Mall located at the eastern side of Qiaoxiao Expressway, the southern side of Third Ring Road and the northern side of Wuhan IKEA Qiaokou District Wuhan City Hubei Province The PRC	The property comprises a parcel of land with a site area of approximately 77,546.49 sq.m. and 3 commercial buildings known as Wuhan Red Star, portions of which were completed in December 2015. The remaining portions of the property as an office building with a planned gross floor area of approximately 15,701.68 sq.m. were under construction as at the valuation date and were scheduled to be completed in May 2018.	As advised by the Group, portions of the property were rented to various parties as at the valuation date. Remaining portions of the property were under construction or vacant as at the valuation date.	1,653,000,000

The property is located at the eastern side of Qiaoxiao Expressway Qiaoxiao District and well-served by good facilities and convenient traffic along the main roads.

The property has a total gross floor area of approximately 274,479.78 sq.m. The details are set out as following:

Usage	Planned Gross Floor Area (sq.m.)
Office	15,701.68
Commercial	184,788.59
Underground car-parking spaces	73,989.51 (1,845 lots)
Total:	<u>274,479.78</u>

As advised by the Group, the development cost (excluding the land cost) for the office portion of the property is estimated to be approximately RMB87,000,000, of which approximately RMB84,000,000 had been paid up to the valuation date.

The land use rights of the property have been granted for a term expiring on 21 June 2051 for commercial use.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – WH-2011-59 dated 19 September 2011, the land use rights of the property were contracted to be granted to Wuhan Red Star Macalline Shibo Home Living Plaza Development Company Limited (“Wuhan Shibo”), a wholly-owned subsidiary of the Company with the particulars as follows:

Site Area	: 77,546.49 sq.m.
Land Use	: Commercial
Land Term	: 40 years for commercial
Plot Ratio	: 3.53
Land Premium	: RMB476,370,000
2. Pursuant to a Construction Land Planning Permit – Wu Gui Di (2011) No. 171, permission towards the planning of the aforesaid land parcel with a site area of approximately 77,546.49 sq.m. has been granted to Wuhan Shibo.
3. Pursuant to a State-owned Land Use Rights Certificate – Wu Guo Yong (2011) Di No. 389, the land use rights of a parcel of land with a site area of approximately 77,546.49 sq.m. on which the property is situated, have been granted to Wuhan Shibo for a term with the expiry date on 21 June 2051 for commercial use.
4. Pursuant to a Construction Work Planning Permit – Wu Gui Jian (2012) No. 159 issued by Construction and Planning Bureau of Wuhan City in favour of Wuhan Shibo, the construction works of the property with a total planned gross floor area of approximately 274,505.98 sq.m. have been approved.
5. Pursuant to 2 Construction Work Commencement Permits – No. 4201042011122700114BJ4001 and No. 4201042011122700114BJ4002 issued by Construction and Planning Bureau of Wuhan City, Qiaokou Sub-branch in favour of Wuhan Shibo, the commencement of the construction works of with a total gross floor area of approximately 274,505.97 sq.m. has been permitted.
6. Pursuant to a Real Estate Title Certificate – E (2017) Wuhan City Qiao Kou Bu Dong Chan Quan Di No. 0039408, portions of the property with a gross floor area of approximately 181,691.57 sq.m. are owned by Wuhan Shibo, and the land use rights of the property with a site area of approximately 77,546.49 sq.m. were granted to Wuhan Shibo for a term expiring on 21 June 2051 for commercial use.
7. Pursuant to 258 Exhibition Space Agreements, portions of the property is rented to various parties for various terms with the expiry date on 30 October 2018 at a total monthly rent receivable as at the valuation date of approximately RMB6,817,000 for commercial purpose.
8. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable office units range from RMB70 to RMB100 per sq.m. per month; The unit rent of these comparable retail units range from RMB90 to RMB120 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date, and for office portions, the stabilized market yield ranged from 4% to 6% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 6.5% for retail purpose and 5.5% for office purpose as the capitalization rate in the valuation.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

9. The market value of the office portion of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB207,000,000.

10. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. Wuhan Shibo legally owns the land use rights of the property and portions of the building ownership rights of the property; and

 - b. Wuhan Shibo has legally obtained the relevant approvals in respect of the development and construction as mentioned in notes 1 to 5. Wuhan Shibo will continue the relevant procedures to obtain the necessary approval and consent according to the relevant laws and regulations, as well as binding contracts and other legal instruments and paying off the relevant stipulated fees.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
15.	Shanghai Pudong Jinqiao Mall No. 100 Jinzang Road Pudong New District Shanghai The PRC	<p>The property comprises a parcel of land with a site area of approximately 46,537.50 sq.m. and a 7-storey commercial building (plus two levels basement) erected thereon which was completed in December 2013.</p> <p>The property is located at the southern side of Middle Yanggao Road, the northern side of Xin Qinqiao Road, the western side of Jinzang Road and the eastern side of a river in Pudong New Area. This area is well-served by good facilities and convenient traffic along the main roads. The surrounding environment is a commercial area supported by retail stores and commercial buildings.</p> <p>The property has a total gross floor area of approximately 208,284.00 sq.m. The details are set out as following:</p>	As advised by the Group, the property was rented to various parties as at the valuation date.	2,529,000,000

Floor	Gross Floor Area (sq.m.)
Basement Level 2	40,326.80
Basement Level 1	39,423.80
Level 1	16,651.00
Level 2	18,296.60
Level 3	18,466.40
Level 4	18,735.00
Level 5	18,735.00
Level 6	18,735.00
Level 7	17,221.40
Facilities layer	1,693.00
Total:	208,284.00

The land use rights of the property have been granted for terms expiring on 29 December 2050 for retail, finance and insurance uses, and on 29 December 2060 for office use.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

Notes:

1. Pursuant to a State-owned Construction Land Use Rights Grant Contract – Hu Pu Gui Tu 2010 No.63 dated 26 January 2011 entered into between Pudong New Area Planning and Land Authority and Shanghai Red Star Macalline Home Living Design Expo Company Limited (“Shanghai Home Living Expo”), a wholly-owned subsidiary of the Company, the land use rights of the property were contracted to be granted to Shanghai Home Living Expo with the particulars as follows:

Site Area	: 46,537.50 sq.m.
Land Use	: Office, retail, finance and insurance use
Land Term	: 50 years for office use; 40 years for retail, finance and insurance use
Plot Ratio	: 2.72
Land Premium	: RMB852,910,000
2. Pursuant to a Construction Land Planning Permit – Di Zi Di Hu Pu Gui Di Jin (2011) EA1011520119214, permission towards the planning of the aforesaid land parcel with a site area of approximately 46,537.50 sq.m. has been granted to Shanghai Home Living Expo.
3. Pursuant to a Real Estate Title Certificate – Hu Fang Di Pu Zi (2011) Di No. 031053, the land use rights of the property with a site area of approximately 46,537.50 sq.m. were granted to Shanghai Home Living Expo, for a term expiring on 29 December 2060 for office use and 29 December 2050 for commercial, finance and insurance use respectively.
4. Pursuant to 2 Construction Work Planning Permits – Jian Zi Di Hu Pu Gui Jian Jin (2011) FA31011520119506 and (2012) FA31011520129201 issued by Planning and Land Resources Bureau of Pudong District of Shanghai in favour of Shanghai Home Living Expo, the construction works of the property with a total planned total gross floor area of approximately 208,284.00 sq.m. have been approved.
5. Pursuant to 2 Construction Work Commencement Permits – Nos. 11JQPD0019D02310115201104151601 and 11JQPD0019D01310115201104151601 (Zhuangji) issued by Construction and Traffic Committee of Pudong District of Shanghai in favour of Shanghai Home Living Expo, the commencement of the construction works of Shopping Mall with a total gross floor area of approximately 208,284.00 sq.m. has been permitted.
6. Pursuant to a Construction Completion and Inspection Certificate — No. 2015PD0162, the property has been approved to be complied with the urban and rural planning requirements.
7. Pursuant to 330 Exhibition Space Agreements, the property is leased to various tenants for commercial purpose with the expiry dates between 28 February 2018 to 31 March 2019 at a total monthly rent receivable as at the valuation date of approximately RMB13,619,000.
8. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB85 to RMB300 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 6% for commercial purpose as the capitalization rate in the valuation.
9. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a. Shanghai Home Living Expo legally owns the land use rights and building ownership rights of the property; and
 - b. It has not been found any material legal impediment for Shanghai Home Living Expo in obtaining the Building Ownership Certificate after obtaining the necessary approval and consent according to the relevant laws and regulations, as well as binding contracts and other legal instruments and paying off the relevant stipulated fees.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
16.	Yantai Phase II Mall No. 281 Jichang Road Zhifu District Yantai City Shandong Province The PRC	The property comprises a parcel of land with a site area of approximately 48,750.60 sq.m. and a 5-storey commercial building (plus two levels basement) erected thereon which was completed in 2014.	As advised by the Group, the property was rented to various parties as at the valuation date.	708,000,000

The property is located at the southwestern corner of Huangwu Overpass in Zhifu District. This area is convenient traffic along the main roads.

The property has a gross floor area of approximately 146,460.80 sq.m. The details are set out as following:

Floor	Gross Floor Area (sq.m.)
Basement Level 2	24,354.02
Basement Level 1	24,354.03
Level 1	19,550.55
Level 2	19,550.55
Level 3	19,550.55
Level 4	19,550.55
Level 5	19,550.55
Total:	<u>146,460.80</u>

The land use rights of the property have been granted for a term expiring on 31 August 2051 for commercial use.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Yan Guo Yong (2011) Di No. 10750, the land use rights of a parcel of land with a site area of approximately 48,750.60 sq.m. have been granted to Yantai Red Star Macalline Home Furnishing Company Limited (“Yantai Home Furnishing”), a 51% interest owned subsidiary of the Company, for a term expiring on 31 August 2051 for commercial use.
2. Pursuant to a Construction Work Planning Permit – Jian Zi Di No. 37 00602201100378 issued by Planning and Land Resources Bureau of Yantai in favour of Yantai Home Furnishing, the construction works of the property with a total planned total gross floor area of approximately 146,460.8 sq.m. have been approved.
3. Pursuant to a Construction Work Commencement Permit – Yan Jian Kai Zi (2011) No.11-18 issued by Construction and Traffic Committee of Yantai in favour of Yantai Home Furnishing, the commencement of the construction works of Shopping Mall with a total gross floor area of approximately 146,460.8 sq.m. has been permitted.
4. Pursuant to a Building Ownership Certificate – Yan Fang Quan Zheng Zhi Zi Di No. 337623, portions of the property with a total gross floor area of approximately 97,752.75 sq.m. (level 1 to level 5) is owned by Yantai Home Furnishing.
5. Pursuant to 309 Exhibition Space Agreements, the property is leased to various tenants for commercial purpose with the expiry dates on 11 April 2019 at a total monthly rent receivable as at the valuation date of approximately RMB3,924,000.
6. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB45 to RMB70 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 7% for commercial purpose as the capitalization rate in the valuation.
7. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:

Yantai Home Furnishing legally owns the land use rights and building ownership rights of the property.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB								
17.	Shenyang Yuhong Mall No. 158 Huanghe North Road Yuhong District Shenyang City Liaoning Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 59,456.50 sq.m. and 3 commercial buildings known as Shenyang Yuhong Mall which were completed in 2016.</p> <p>The property is located at the western side of Huanghe North Road, Yuhong District and well-served by good facilities and convenient traffic along the main roads.</p> <p>The property has a total gross floor area of approximately 197,881.88 sq.m. and the details are set out as following:</p>	<p>As advised by the Group, portions of the property were rented to various parties and the remaining portions were vacant as at the valuation date.</p>	1,027,000,000								
		<p>Pavilion 1</p> <table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: left;">Usage</th> <th style="text-align: right;">Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Commercial</td> <td style="text-align: right;">106,739.60</td> </tr> <tr> <td>Underground car-parking spaces</td> <td style="text-align: right; border-top: 1px solid black;">49,251.81</td> </tr> <tr> <td>Total:</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">155,991.41</td> </tr> </tbody> </table>	Usage	Gross Floor Area (sq.m.)	Commercial	106,739.60	Underground car-parking spaces	49,251.81	Total:	155,991.41		
Usage	Gross Floor Area (sq.m.)											
Commercial	106,739.60											
Underground car-parking spaces	49,251.81											
Total:	155,991.41											
		<p>Pavilion 2</p> <table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: left;">Usage</th> <th style="text-align: right;">Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Commercial</td> <td style="text-align: right; border-top: 1px solid black;">13,855.51</td> </tr> <tr> <td>Total:</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">13,855.51</td> </tr> </tbody> </table>	Usage	Gross Floor Area (sq.m.)	Commercial	13,855.51	Total:	13,855.51				
Usage	Gross Floor Area (sq.m.)											
Commercial	13,855.51											
Total:	13,855.51											
		<p>Pavilion 3</p> <table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: left;">Usage</th> <th style="text-align: right;">Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Commercial</td> <td style="text-align: right; border-top: 1px solid black;">28,034.96</td> </tr> <tr> <td>Total:</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">28,034.96</td> </tr> </tbody> </table>	Usage	Gross Floor Area (sq.m.)	Commercial	28,034.96	Total:	28,034.96				
Usage	Gross Floor Area (sq.m.)											
Commercial	28,034.96											
Total:	28,034.96											
		<p>All Total:</p> <p style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">197,881.88</p>										

The land use rights of the property have been granted for a term expiring on 22 December 2051 for commercial use.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated 29 December 2011, the land use rights of the property were contracted to be granted to Shenyang Mingdu Furniture Plaza Co., Ltd, (“Shenyang Mingdu”), a 60% interest owned subsidiary of the Company with the particulars as follows:

Site Area	: 59,456.50 sq.m.
Land Use	: Commercial
Land Term	: 40 years for commercial
Plot Ratio	: 2.5
Land Premium	: RMB327,010,750

2. Pursuant to a Construction Land Planning Permit – Di Zi No.210100201200008, permission towards the planning of the aforesaid land parcel with a site area of approximately 59,456.50 sq.m. has been granted to Shenyang Mingdu.
3. Pursuant to a State-owned Land Use Rights Certificate – Shen Yang Guo Yong (2012) Di No. 0021, the land use rights of a parcel of land with a site area of approximately 59,456.50 sq.m. on which the property is situated, have been granted to Shenyang Mingdu for a term expiring on 22 December 2051 for commercial use.
4. Pursuant to a Construction Work Planning Permit – Jian Zi Di No. 210100201200562 issued by Planning and Land Resources Bureau of Shenyang City in favour of Shenyang Mingdu, the construction works of the property with a total planned gross floor area of approximately 197,881.88 sq.m. have been approved.
5. Pursuant to a Construction Work Commencement Permits – No. 210100201306251501 issued by Shenyang Urban and Rural Construction Committee in favour of Shenyang Mingdu, the commencement of the construction works of the property with a total gross floor area of approximately 197,881.88 sq.m. has been permitted.
6. Pursuant to 3 Real Estate Title Certificates – Liao (2017) Shenyang Shi Bu Dong Chan Quan Di Nos. 0442859, 0453535 and 0442864, portions of the property with a gross floor area of approximately 147,080.43 sq.m. is owned by Shenyang Mingdu, and the land use rights of the property with a site area of approximately 59,456.5 sq.m. were granted to Shenyang Mingdu, for a term expiring on 22 December, 2051 for commercial use.
7. Pursuant to 287 Exhibition Space Agreements, portions of the property with a total gross floor area of approximately 85,663.81 sq.m. are leased to various tenants for commercial purpose with the expiry dates between 28 February 2018 to 25 February 2019 at a total monthly rent receivable as at the valuation date of approximately RMB4,574,000.
8. Our valuation has been made on the following basis and analysis:
- a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB36 to RMB90 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 7% for commercial purpose as the capitalization rate in the valuation.
9. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:

Shenyang Mingdu legally owns the land use rights and building ownership rights of the property.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB																														
18.	Chongqing Erlang Mall located at the eastern side of Yingbin Street Jiulongpo District Chongqing The PRC	<p>The property comprises a parcel of land with a site area of approximately 18,841.50 sq.m. and an 8-storey commercial building (plus four levels basement) erected thereon which was completed in 2014.</p> <p>The property is located at the eastern side of Yingbin Street Jiulongpo District and it is well-served by good facilities and convenient traffic along the main roads.</p> <p>The property has a total gross floor area of approximately 141,742.59 sq.m. and the details are set out as following:</p>	<p>As advised by the Group, portions of the property were rented to various parties and the remaining portions were vacant as at the valuation date.</p>	872,000,000																														
		<table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Floor</th> <th style="text-align: right;">Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr><td>Basement Level 4</td><td style="text-align: right;">13,541.17</td></tr> <tr><td>Basement Level 3</td><td style="text-align: right;">13,541.17</td></tr> <tr><td>Basement Level 2</td><td style="text-align: right;">13,555.45</td></tr> <tr><td>Basement Level 1</td><td style="text-align: right;">12,887.70</td></tr> <tr><td>Level 1</td><td style="text-align: right;">12,606.30</td></tr> <tr><td>Level 2</td><td style="text-align: right;">12,824.40</td></tr> <tr><td>Level 3</td><td style="text-align: right;">12,102.70</td></tr> <tr><td>Level 4</td><td style="text-align: right;">12,089.50</td></tr> <tr><td>Level 5</td><td style="text-align: right;">12,102.70</td></tr> <tr><td>Level 6</td><td style="text-align: right;">12,102.70</td></tr> <tr><td>Level 7</td><td style="text-align: right;">12,102.70</td></tr> <tr><td>Level 8</td><td style="text-align: right;">2,239.09</td></tr> <tr><td>Roof</td><td style="text-align: right;">47.01</td></tr> <tr><td>Total:</td><td style="text-align: right;"><u>141,742.59</u></td></tr> </tbody> </table>	Floor	Gross Floor Area (sq.m.)	Basement Level 4	13,541.17	Basement Level 3	13,541.17	Basement Level 2	13,555.45	Basement Level 1	12,887.70	Level 1	12,606.30	Level 2	12,824.40	Level 3	12,102.70	Level 4	12,089.50	Level 5	12,102.70	Level 6	12,102.70	Level 7	12,102.70	Level 8	2,239.09	Roof	47.01	Total:	<u>141,742.59</u>		
Floor	Gross Floor Area (sq.m.)																																	
Basement Level 4	13,541.17																																	
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Total:	<u>141,742.59</u>																																	

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
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The land use rights of the property have been granted for a term expiring on 31 July 2051 for commercial use.

Notes:

1. Pursuant to a Real Estate Title Certificate – 105 Fang Di Zheng 2015 Zi Di No. 17806, portions of the property with a gross floor area of approximately 90,081.46 sq.m. is owned by Chongqing Red Star Macalline Expo Home Furnishing Plaza Company Limited (“Chongqing Expo”), and the land use rights of the property with a site area of approximately 18,841.50 sq.m. were granted to Chongqing Expo, for a term expiring on July 31, 2051 for commercial use.
2. Pursuant to a Construction Work Planning Permit – No. 500138201200024 issued by Construction and Planning Bureau of Chongqing City in favor of Chongqing Expo the construction works of the property with a total planned gross floor area of approximately 141,742.59 sq.m. have been approved.
3. Pursuant to a Construction Work Commencement Permit – No. 500120201211160101 issued by Construction and Planning Bureau of Chongqing City Gaoxin branch in favor of Chongqing Expo, the commencement of the construction works of the shopping mall with a total gross floor area of approximately 141,742.59 sq.m. has been permitted.
4. Pursuant to 234 Exhibition Space Agreements, portions of the property with a total gross floor area of approximately 78,079.87 sq.m. are leased to various tenants for commercial purpose with the expiry dates between 28 February 2018 to 31 December 2018 at a total monthly rent receivable as at the valuation date of approximately RMB6,390,000.
5. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB55 to RMB105 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 7% for commercial purpose as the capitalization rate in the valuation.
6. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:

Chongqing Expo legally owns the land use rights and building ownership rights of the property.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB																						
19.	Changsha Yuelu Mall located at the northern side of Yuelu Avenue, the eastern side of Yuehua Road and the western side of Caihong Road Changsha City Hunan Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 31,683.68 sq.m. and a commercial and a 6-storey commercial building (plus two levels basement) erected thereon which was completed in October 2015.</p> <p>The property is located at the northern side of Yuelu Avenue, the eastern side of Yuehua Road and the western side of Caihong Road. The property is well-served by good facilities and convenient traffic along the main roads.</p> <p>The property has a total gross floor area of approximately 101,684.77 sq.m. The details are set out as following:</p>	As advised by the Group, the property was rented to various parties as at the valuation date.	761,000,000																						
		<table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Usage</th> <th style="text-align: right;">Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr><td>Level 1</td><td style="text-align: right;">14,854.08</td></tr> <tr><td>Level 2</td><td style="text-align: right;">14,431.80</td></tr> <tr><td>Level 3</td><td style="text-align: right;">14,312.18</td></tr> <tr><td>Level 4</td><td style="text-align: right;">14,277.13</td></tr> <tr><td>Level 5</td><td style="text-align: right;">14,053.22</td></tr> <tr><td>Level 6</td><td style="text-align: right;">14,072.55</td></tr> <tr><td>Level 7</td><td style="text-align: right;">14,072.55</td></tr> <tr><td>Level 8</td><td style="text-align: right;">1,555.79</td></tr> <tr><td>Roof</td><td style="text-align: right;">55.47</td></tr> <tr><td>Total:</td><td style="text-align: right;"><u>101,684.77</u></td></tr> </tbody> </table>	Usage	Gross Floor Area (sq.m.)	Level 1	14,854.08	Level 2	14,431.80	Level 3	14,312.18	Level 4	14,277.13	Level 5	14,053.22	Level 6	14,072.55	Level 7	14,072.55	Level 8	1,555.79	Roof	55.47	Total:	<u>101,684.77</u>		
Usage	Gross Floor Area (sq.m.)																									
Level 1	14,854.08																									
Level 2	14,431.80																									
Level 3	14,312.18																									
Level 4	14,277.13																									
Level 5	14,053.22																									
Level 6	14,072.55																									
Level 7	14,072.55																									
Level 8	1,555.79																									
Roof	55.47																									
Total:	<u>101,684.77</u>																									

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
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The land use rights of the property have been granted for terms expiring on 8 August 2053 for commercial use and 5 August 2054 for car-parking.

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated 9 August 2013, the land use rights of the property were contracted to be granted to Changsha Yinhong Home Living Company Limited (“Changsha Yinhong”), a wholly-owned subsidiary of the Company, and Changsha Yuelu District YinPenLing Street YinPenLing Villages ‘committee with the particulars as follows:
 - Site Area : 31,683.68 sq.m.
 - Land Use : Commercial and residential
 - Land Term : 40 years for commercial use, 70 years for residential use
 - Plot Ratio : 4.95
 - Land Premium : RMB266,150,000
2. Pursuant to a Construction Land Planning Permit – Jian Gui (Di) Zi Di Chang Xian Chu (2013) No. 0037, permission towards the planning of the aforesaid land parcel with a site area of approximately 31,683.68 sq.m. has been granted to Changsha Yinhong.
3. Pursuant to a State-owned Land Use Rights Certificate – Chang Guo Yong (2013) Di No. 094936, the land use rights of a parcel of land with a site area of approximately 31,683.68 sq.m. on which the property is situated, have been granted to Changsha Yinhong for terms expiring on 8 August 2053 for commercial use and 8 August 2083 for residential use.
4. Pursuant to a Construction Work Planning Permit – Jian Gui (Jian) Zi Di Chang Xian Jian 2 (2014) No. 0046 issued by Changsha Urban and Rural Planning Bureau in favour of Changsha Yinhong, the construction works of the property with a gross floor area of approximately 212,265.77 sq.m. (including the property) has been approved.
5. Pursuant to a Construction Work Commencement Permit – No. 430112201409030101 issued by Housing and Urban and Rural Construction Committee of Changsha City in favour of Changsha Yinhong, the commencement of the construction works of the property with a gross floor area of approximately 212,265.77 sq.m. (including the property) has been permitted.
6. Pursuant to 303 Exhibition Space Agreements, the property is leased to various tenants for commercial purpose with the expiry dates between 28 February 2018 to 31 August 2018 at a total monthly rent receivable as at the valuation date of approximately RMB7,804,000.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

7. Our valuation has been made on the following basis and analysis:
- a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB70 to RMB108 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 7% for commercial purpose as the capitalization rate in the valuation.
8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
- a. Changsha Yinhong legally owns the land use rights of the property; and
 - b. It has not been found any material legal impediment for Changsha Yinhong in obtaining the Building Ownership Certificate after obtaining the necessary approval and consent according to the relevant laws and regulations, as well as binding contracts and other legal instruments and paying off the relevant stipulated fees.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB																
20.	Panjin Xinglong Mall No. 198 Huancheng South Street Xinglongtai District Panjin City Liaoning Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 23,793.40 sq.m. and a 5-storey commercial building (plus one level basement) erected thereon which was completed in 2014.</p> <p>The property is located at the southern side of Dazhong Street, the northern side of Huancheng South Street, the western side of Shuangxing Road and the eastern side of Taishan Road in Xinglongtai District. This area is well-served by good facilities and convenient traffic along the main roads. The surrounding environment is a commercial area supported by retail stores and commercial buildings.</p> <p>The property has a total gross floor area of approximately 87,845.81 sq.m. The details are set out as following:</p>	As advised by the Group, portions of the property was rented to various parties and the remaining portions were vacant as at the valuation date.	363,000,000																
		<table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Floor</th> <th style="text-align: right;">Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Basement Level 1</td> <td style="text-align: right;">15,958.11</td> </tr> <tr> <td>Level 1</td> <td style="text-align: right;">15,086.20</td> </tr> <tr> <td>Level 2</td> <td style="text-align: right;">14,320.67</td> </tr> <tr> <td>Level 3</td> <td style="text-align: right;">14,320.67</td> </tr> <tr> <td>Level 4</td> <td style="text-align: right;">14,080.08</td> </tr> <tr> <td>Level 5</td> <td style="text-align: right; border-bottom: 1px solid black;">14,080.08</td> </tr> <tr> <td>Total:</td> <td style="text-align: right; border-bottom: 3px double black;">87,845.81</td> </tr> </tbody> </table>	Floor	Gross Floor Area (sq.m.)	Basement Level 1	15,958.11	Level 1	15,086.20	Level 2	14,320.67	Level 3	14,320.67	Level 4	14,080.08	Level 5	14,080.08	Total:	87,845.81		
Floor	Gross Floor Area (sq.m.)																			
Basement Level 1	15,958.11																			
Level 1	15,086.20																			
Level 2	14,320.67																			
Level 3	14,320.67																			
Level 4	14,080.08																			
Level 5	14,080.08																			
Total:	87,845.81																			

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
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The land use rights of the property have been granted for a term expiring on 11 September 2051 for commercial use.

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Pan Guo Yong (2012) Di No. 300001, the land use rights of the property with a site area of approximately 23,793.40 sq.m. were granted to Panjin Red Star Macalline Global Home Furnishing Plaza Company Limited (“Panjin Global”), a wholly-owned subsidiary of the Company, for a term expiring on 11 September 2051 for commercial use.
2. Pursuant to 8 Building Ownership Certificates – Pan Jin Shi Fang Quan Zheng Xing Long Tai Qu Zi Di Nos. 10095678, 10095679, 10095673, 10095650, 10095670, 10095674, 10095677 and 10095680, the property with a gross floor area of approximately 87,845.81 sq.m. are owned by to Panjin Global.
3. Pursuant to 234 Exhibition Space Agreements, portions of the property with a total gross floor area of approximately 46,497.15 sq.m. are leased to various tenants for commercial purpose with the expiry dates between 28 February 2018 to 31 August 2019 at a total monthly rent receivable as at the valuation date of approximately RMB2,308,000.
4. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB45 to RMB70 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 8% for commercial purpose as the capitalization rate in the valuation.
5. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:

Panjin Global legally owns the land use rights and building ownership rights of the property.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB																		
21.	Shenyang Tiexi Mall No. 35 Bei Er East Road Tiexi District Shenyang City Liaoning Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 38,472.14 sq.m. and a 7-storey commercial building (plus one level basement) erected thereon which was completed in June 2008.</p> <p>The property is located at the junction of Xinghua Road and Yunfeng Road in Tiexi District. This area is well-served by good facilities and convenient traffic along the main roads. The surrounding environment is a commercial area supported by retail stores and commercial buildings.</p> <p>The property has a total gross floor area of approximately 153,106.70 sq.m. The details are set out as following:</p>	As advised by the Group, portions of the property were rented to various parties and the remaining portions were vacant as at the valuation date.	2,846,000,000																		
		<table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: left;">Floor</th> <th style="text-align: right;">Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Basement Level 1</td> <td style="text-align: right;">23,070.52</td> </tr> <tr> <td>Level 1</td> <td style="text-align: right;">21,428.00</td> </tr> <tr> <td>Level 2</td> <td style="text-align: right;">21,877.00</td> </tr> <tr> <td>Level 3</td> <td style="text-align: right;">21,877.00</td> </tr> <tr> <td>Level 4</td> <td style="text-align: right;">21,715.00</td> </tr> <tr> <td>Level 5</td> <td style="text-align: right;">21,377.00</td> </tr> <tr> <td>Level 6</td> <td style="text-align: right;">21,762.18</td> </tr> <tr> <td>Total:</td> <td style="text-align: right;"><u>153,106.70</u></td> </tr> </tbody> </table>	Floor	Gross Floor Area (sq.m.)	Basement Level 1	23,070.52	Level 1	21,428.00	Level 2	21,877.00	Level 3	21,877.00	Level 4	21,715.00	Level 5	21,377.00	Level 6	21,762.18	Total:	<u>153,106.70</u>		
Floor	Gross Floor Area (sq.m.)																					
Basement Level 1	23,070.52																					
Level 1	21,428.00																					
Level 2	21,877.00																					
Level 3	21,877.00																					
Level 4	21,715.00																					
Level 5	21,377.00																					
Level 6	21,762.18																					
Total:	<u>153,106.70</u>																					

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
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The land use rights of the property have been granted for a term expiring on 24 October 2054 for commercial use.

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Shen Xi Guo Yong 2008 No. 093, the land use rights of the property with a site area of approximately 38,472.14 sq.m. were granted to Shenyang Red Star Macalline Shibo Home Living Plaza Real Estate Company Limited (“Shenyang Property”), for a term expiring on 24 October 2054 for commercial use.
2. Pursuant to a Building Ownership Certificate – Shen Fang Quan Zheng Zhong Xin Zi Di No. N060331925, the property with a gross floor area of approximately 153,106.70 sq.m. is owned by Shenyang Property.
3. Pursuant to 522 Exhibition Space Agreements, portions of the property with a total gross floor area of approximately 118,635.74 sq.m. are leased to various tenants for commercial purpose with the expiry dates between 28 February 2018 to 27 October 2018 at a total monthly rent receivable as at the valuation date of approximately RMB21,054,000.
4. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB105 to RMB210 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 7% for commercial purpose as the capitalization rate in the valuation.
5. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:

Shenyang Property legally owns the land use rights and building ownership rights of the property.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB														
22.	Changzhou Wujin Mall No. 599 South Chang Wu Road Wujin District Changzhou City Jiangsu Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 66,729.70 sq.m. and a 4-storey commercial building (plus one level basement) erected thereon which was completed in September 2010.</p> <p>The property is located at the No.599 South Chang Wu Road in Wujin District. This area is well-served by good facilities and convenient traffic along the main roads. The surrounding environment is a University town supported by retail stores and commercial buildings.</p> <p>The property has a total gross floor area of approximately 166,110.47 sq.m. The details are set out as following:</p>	As advised by the Group, portions of the property were rented to various parties and the remaining portions were vacant as at the valuation date.	463,000,000														
		<table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Floor</th> <th style="text-align: right;">Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Basement Level 1</td> <td style="text-align: right;">36,523.60</td> </tr> <tr> <td>Level 1</td> <td style="text-align: right;">32,418.97</td> </tr> <tr> <td>Level 2</td> <td style="text-align: right;">32,389.30</td> </tr> <tr> <td>Level 3</td> <td style="text-align: right;">32,389.30</td> </tr> <tr> <td>Level 4</td> <td style="text-align: right; border-bottom: 1px solid black;">32,389.30</td> </tr> <tr> <td>Total:</td> <td style="text-align: right; border-bottom: 3px double black;">166,110.47</td> </tr> </tbody> </table>	Floor	Gross Floor Area (sq.m.)	Basement Level 1	36,523.60	Level 1	32,418.97	Level 2	32,389.30	Level 3	32,389.30	Level 4	32,389.30	Total:	166,110.47		
Floor	Gross Floor Area (sq.m.)																	
Basement Level 1	36,523.60																	
Level 1	32,418.97																	
Level 2	32,389.30																	
Level 3	32,389.30																	
Level 4	32,389.30																	
Total:	166,110.47																	

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
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The land use rights of the property have been granted for a term expiring on 30 May 2048 for commercial use.

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Wu Guo Yong (2011) Di No. 1201692, the land use rights of the property with a site area of approximately 66,729.70 sq.m. were granted to Changzhou Hongyang Home Furnishing Plaza Company Limited (“Changzhou Hongyang”), an indirect owned subsidiary of the Company, for a term expiring on 30 May 2048 for commercial use.
2. Pursuant to a Building Ownership Certificate – Chang Fang Quan Zheng Wu Zi Di No. 01085753, the property with a total gross floor area of approximately 166,110.47 sq.m. is owned by Changzhou Hongyang.
3. Pursuant to 364 Exhibition Space Agreements, portions of the property with a total gross floor area of approximately 134,799.67 sq.m. are leased to various tenants for commercial purpose with the expiry dates between 23 April 2018 to 30 April 2020 at a total monthly rent receivable as at the valuation date of approximately RMB3,936,000.
4. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB15 to RMB33 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 8% for commercial purpose as the capitalization rate in the valuation.
5. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:

Changzhou Hongyang legally owns the land use rights and building ownership rights of the property.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB								
23.	Chongqing Fuling Mall No. 8-66 Taibai Avenue Lidu New Area Fuling District Chongqing The PRC	<p>The property comprises a parcel of land with a site area of approximately 32,982.48 sq.m. and a commercial building known as Chongqing Fuling Mall erected thereon which was completed in 2015.</p> <p>The property is located at the eastern side of at the corner of Taiyi Street and Taibai Avenue, Lidu New Area, and well-served by good facilities and convenient traffic along the main roads.</p> <p>The property has a total gross floor area of approximately 73,874.56 sq.m. The details are set out as following:</p>	As advised by the Group, the property was vacant as at the valuation date.	339,000,000								
		<table border="0" style="margin-left: auto;"> <thead> <tr> <th style="text-align: left;">Usage</th> <th style="text-align: right;">Planned Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Commercial</td> <td style="text-align: right;">63,275.87</td> </tr> <tr> <td>Underground</td> <td style="text-align: right;"><u>10,598.69</u></td> </tr> <tr> <td>Total:</td> <td style="text-align: right;"><u><u>73,874.56</u></u></td> </tr> </tbody> </table>	Usage	Planned Gross Floor Area (sq.m.)	Commercial	63,275.87	Underground	<u>10,598.69</u>	Total:	<u><u>73,874.56</u></u>		
Usage	Planned Gross Floor Area (sq.m.)											
Commercial	63,275.87											
Underground	<u>10,598.69</u>											
Total:	<u><u>73,874.56</u></u>											

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
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The land use rights of the property have been granted for a term expiring on 19 March 2052 for commercial use.

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – Yu Di (2012) (Fulin) No. 005, dated 21 March 2012, the land use rights of the property were contracted to be granted to Chongqing Red Star Macalline Zhongkun Home Furnishing Plaza Company Limited (“Chongqing Zhongkun”), a 55% interest owned subsidiary of the Company, with the particulars as follows:
 - Site Area : 32,982.48 sq.m.
 - Land Use : Commercial service
 - Land Term : 40 years for commercial
 - Plot Ratio : 1.96
 - Land Premium : RMB32,200,000
2. Pursuant to a Construction Land Planning Permit – Li Di Zi Di Jian No. 500102201200005, permission towards the planning of the aforesaid land parcel with a site area of approximately 32,982.48 sq.m. has been granted to Chongqing Zhongkun.
3. Pursuant to a State-owned Land Use Rights Certificate – 303 Fang Di Zheng 2012T Zi Di No. 00066, the land use rights of a parcel of land with a site area of approximately 32,982.48 sq.m. on which the property is situated, have been granted to Chongqing Zhongkun for a term expiring on 19 March 2052 for commercial use.
4. Pursuant to a Construction Work Planning Permit – Li Jian Zi Di No. 500102201200031, issued by Construction and Planning Bureau of Chongqing City in favour of Chongqing Zhongkun, the construction works of the property with a total planned gross floor area of approximately 73,874.56 sq.m. have been approved.
5. Pursuant to a Construction Work Commencement Permit – No. 500102201208200101 issued by Construction and Planning Bureau of Chongqing City, Fuling Sub-branch in favour of Chongqing Zhongkun, the commencement of the construction works of the property with a total gross floor area of approximately 73,874.56 sq.m. has been permitted.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

6. Pursuant to a Construction Completion and Inspection Certificates – Jian Jun Bei Fu Li Zi (2015) No. 03, the property has been approved to be complied with the urban and rural planning requirements.
7. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have compared with similar developments which are located in the similar areas as the subject property. The unit rent of these comparable commercial units range from RMB32 to RMB50 per sq.m. per month. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property.
 - b. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 7% for commercial purpose as the capitalization rate in the valuation.
8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:
 - a. Chongqing Zhongkun legally owns the land use rights of the property;
 - b. It has not been found any material legal impediment for Chongqing Expo in obtaining the Building Ownership Certificate after obtaining the necessary approval and consent according to the relevant laws and regulations, as well as binding contracts and other legal instruments and paying off the relevant stipulated fees.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB																				
24.	Zhongshan Gangkou Mall No.15 Gangkou Avenue Gangkou Town Zhongshan City Guangdong Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 23,737.20 sq.m. and 6-storey commercial building (plus one level basement) erected thereon which was completed in October 2015.</p> <p>The property is located at the eastern side of Gangkou Avenue, the northern side of Mingzhu sixth street, the southern side of Shiji Avenue in Gangkou Town in Zhongshan City. The property is located in a mature residential neighborhood and close to inter-city rail station. The subject area is well-served by convenient traffic and good public facilities.</p> <p>The property has a total gross floor area of approximately 77,360.93 sq.m. The details are set out as following:</p>	As advised by the Group, the property was rented to various parties as at the valuation date.	354,000,000																				
		<table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Usage</th> <th style="text-align: right;">Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Basement Level 1</td> <td style="text-align: right;">12,446.80</td> </tr> <tr> <td>Level 1</td> <td style="text-align: right;">11,547.12</td> </tr> <tr> <td>Level 2</td> <td style="text-align: right;">10,930.64</td> </tr> <tr> <td>Level 3</td> <td style="text-align: right;">10,930.64</td> </tr> <tr> <td>Level 4</td> <td style="text-align: right;">10,343.14</td> </tr> <tr> <td>Level 5</td> <td style="text-align: right;">10,343.14</td> </tr> <tr> <td>Level 6</td> <td style="text-align: right;">10,343.14</td> </tr> <tr> <td>Roof</td> <td style="text-align: right; border-top: 1px solid black;">476.31</td> </tr> <tr> <td>Total:</td> <td style="text-align: right; border-top: 3px double black;">77,360.93</td> </tr> </tbody> </table>	Usage	Gross Floor Area (sq.m.)	Basement Level 1	12,446.80	Level 1	11,547.12	Level 2	10,930.64	Level 3	10,930.64	Level 4	10,343.14	Level 5	10,343.14	Level 6	10,343.14	Roof	476.31	Total:	77,360.93		
Usage	Gross Floor Area (sq.m.)																							
Basement Level 1	12,446.80																							
Level 1	11,547.12																							
Level 2	10,930.64																							
Level 3	10,930.64																							
Level 4	10,343.14																							
Level 5	10,343.14																							
Level 6	10,343.14																							
Roof	476.31																							
Total:	77,360.93																							

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
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The land use rights of the property have been granted for a term expiring on 29 November 2052 for commercial use.

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Zhong Fu Guo Yong (2012) Di No. 1101084, the land use rights of a parcel of land with a site area of approximately 23,737.20 sq.m. on which the property is situated, have been granted to Zhongshan Shibo for a term expiring on 29 November 2052 for commercial use.
2. Pursuant to a Real Estate Title Certificate – Yue (2017) Zhongshan Shi Bu Dong Chan Quan Di No. 0204256, the property with a gross floor area of approximately 77,360.93 sq.m. is owned by Zhongshan Shibo, and the land use rights of the property with a site area of approximately 23,737.20 sq.m. were granted to Zhongshan Shibo, for a term expiring on 29 November 2056 for commercial use.
3. Pursuant to 199 Exhibition Space Agreements, the property is leased to various tenants for commercial purpose with the expiry dates between 28 February 2018 to 31 December 2020 at a total monthly rent receivable as at the valuation date of approximately RMB3,548,000.
4. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB32 to RMB50 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 7% for commercial purpose as the capitalization rate in the valuation.
5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

Zhongshan Shibo legally owns the land use rights and building ownership rights of the property.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
25.	Wuxi Taihu Mall located at the western side of Wuhu Avenue and the northern side of Guanshan Road Binhu District Wuxi City Jiangsu Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 39,015.40 sq.m. and 6-storey commercial building (plus one level basement) erected thereon which was completed in December 2015.</p> <p>The property is located at the western side of Wuhu Avenue and the northern side of Guanshan Road Binhu District and well-served by good facilities and convenient traffic along the main roads.</p> <p>The property has a total gross floor area of approximately 174,179.04 sq.m. The details are set out as following</p>	As advised by the Group, the property was rented to various parties as at the valuation date.	956,000,000
		Floor	Gross Floor Area (sq.m.)	
		Basement Level 2	25770.78	
		Basement Level 1	23,877.23	
		Level 1	21,027.63	
		Level 2	20,580.55	
		Level 3	20,717.99	
		Level 4	20,626.05	
		Level 5	20,717.99	
		Level 6	20,860.82	
		Total:	174,179.04	

The land use rights of the property have been granted for a term expiring on 30 October 2052 for commercial use.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – Xi Bin Guo Yong(2013) Di No. 004725 dated 13 July 2012, the land use rights of the property were contracted to be granted to Wuxi Red Star Macalline Home Furnishing Plaza Company Limited (“Wuxi Home Furnishing”), a 90% interest owned subsidiary of the Company with the particulars as follows:

Site Area	: 39,015.40 sq.m.
Land Use	: Commercial
Land Term	: 40 years for commercial
Plot Ratio	: 3.2
Land Premium	: RMB386,000,000

2. Pursuant to a State-owned Land Use Rights Certificate – Xi Bin Gong Yong (2013) Di No. 004725, the land use rights of a parcel of land with a site area of approximately 39,015.40 sq.m. on which the property is situated, have been granted to Wuxi Home Furnishing for a term expiring on 30 October 2052 for commercial use.
3. Pursuant to a Real Estate Title Certificate – Su (2017) Wuxi Shi Bu Dong Chan Quan Di No. 0098412, the property with a gross floor area of approximately 174,179.04 sq.m. is owned by Wuxi Home Furnishing, and the land use rights of the property with a site area of approximately 39015.40 sq.m. were granted to Wuxi Home Furnishing, for a term expiring on 30 October 2052 for commercial use.
4. Pursuant to 344 Exhibition Space Agreements, the property is leased to various tenants for commercial purpose with the expiry dates between 31 March 2018 to 31 March 2019 at a total monthly rent receivable as at the valuation date of approximately RMB6,085,000.
5. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB52 to RMB93 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 7% for commercial purpose as the capitalization rate in the valuation.

6. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:

Wuxi Home Furnishing legally owns the land use rights and building ownership rights of the property.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
26	Daqing Expo Mall located at the southern side of Shijida Road, the northern side of Wei'er Road and the eastern side of Shuangyong Road High-tech District Daqing City Heilongjiang Province The PRC	The property comprises a parcel of land with a site area of approximately 36,620 sq.m. and a 4-storey commercial building (plus one level basement) erected thereon which was completed in December 2014. The property is located at the southern side of Shijida Road, the northern side of Wei'er Road and the eastern side of Shuangyong Road in High-tech District. This area is newly developed with convenient traffic along the main roads.	As advised by the Group, portions of the property were rented to various parties and the remaining portions were vacant as at the valuation date.	619,000,000

The property has a total gross floor area of approximately 99,332.50 sq.m. and the details are set out as following:

Floor	Gross Floor Area (sq.m.)
Basement Level 1	23,548.82
Level 1	18,945.92
Level 2	18,945.92
Level 3	18,945.92
Level 4	18,945.92
Total:	<u>99,332.50</u>

The land use rights of the property have been granted for a term expiring on 27 September 2051 for commercial use.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

Notes:

1. Pursuant to a Construction Project Investment and Transfer Agreement dated 10 July 2013 entered into between Daqing Xu Sheng Real Estate Development Company Limited and Daqing Red Star Macalline Shibo Home Living Company Limited (“Daqing Shibo”), a 70% interest owned subsidiary of the Company, the land with a site area of approximately 36,620 sq.m. and the construction erected thereon were contracted to be transferred to Daqing Shibo at a consideration of approximately RMB188,569,857.43.
2. Pursuant to a State-owned Land Use Rights Certificate – Da Qing Guo Yong (2013) Di No. 070011785, the land use rights of the property with a site area of approximately 36,620 sq.m. were granted to Daqing Shibo, for a term expiring on 27 September 2051 for commercial use.
3. Pursuant to a Building Ownership Certificate – Qing Fang Quan Zheng Kai Fa Qu Zi Di No. Na769738, portions of the property with a total gross floor area of approximately 99,332.50 sq.m. is owned by Daqing Shibo.
4. Pursuant to 279 Exhibition Space Agreements, portions of the property with a total gross floor area of approximately 58,824.86 sq.m. are leased to various tenants for commercial purpose with the expiry dates between 05 March 2018 to 30 April 2019 at a total monthly rent receivable as at the valuation date of approximately RMB4,981,000.
5. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB70 to RMB80 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 7.5% for commercial purpose as the capitalization rate in the valuation.
6. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:

Daqing Shibo legally owns the land use rights and building ownership rights of the property.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB														
27	Langfang Kaihong Mall No. 33 Nan long Road Anci District Langfang City Hebei Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 37,682.45 sq.m. and a 4-storey commercial building (plus one level basement) erected thereon which was completed in August 2013.</p> <p>The property is located at the southern side of Nanhuan Road, the western side of Yinhe southern Road in Anci District. This area is well- served by good facilities and convenient traffic along the main roads.</p> <p>The property has a total gross floor area of approximately 102,947.32 sq.m. The details are set out as following:</p> <table border="0" style="margin-left: 40px; width: 60%;"> <thead> <tr> <th style="text-align: left;">Floor</th> <th style="text-align: right;">Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Basement Level 1</td> <td style="text-align: right;">22,296.43</td> </tr> <tr> <td>Level 1</td> <td style="text-align: right;">20,162.73</td> </tr> <tr> <td>Level 2</td> <td style="text-align: right;">20,162.72</td> </tr> <tr> <td>Level 3</td> <td style="text-align: right;">20,162.72</td> </tr> <tr> <td>Level 4</td> <td style="text-align: right; border-bottom: 1px solid black;">20,162.72</td> </tr> <tr> <td>Total:</td> <td style="text-align: right; border-bottom: 3px double black;">102,947.32</td> </tr> </tbody> </table>	Floor	Gross Floor Area (sq.m.)	Basement Level 1	22,296.43	Level 1	20,162.73	Level 2	20,162.72	Level 3	20,162.72	Level 4	20,162.72	Total:	102,947.32	As advised by the Group, portions of the property were rented to various parties and the remaining portions were vacant as at the valuation date.	566,000,000
Floor	Gross Floor Area (sq.m.)																	
Basement Level 1	22,296.43																	
Level 1	20,162.73																	
Level 2	20,162.72																	
Level 3	20,162.72																	
Level 4	20,162.72																	
Total:	102,947.32																	

The land use rights of the property have been granted for a term expiring on 31 March 2050 for commercial and financial uses.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

Notes:

1. Pursuant to a Project Cooperation Agreement, entered into between Langfang Chengqu Real Estate Development Limited Company and Langfang Kaihong Home Furnishing Plaza Company Limited (“Langfang Kaihong”), a 70% interest owned subsidiary of the Company, the land of the property with a site area of approximately 37,628.45 sq.m. was transferred to Langfang Kaihong.
2. Pursuant to a State-owned Land Use Rights Certificate – Lang An Guo Yong (2011) No. 00011, the land use rights with a site area of approximately 37,682.45 sq.m. have been granted to Langfang Kaihong for a term with the expiry dates on 31 March 2050 for commercial use and financial use.
3. Pursuant to a Building Ownership Certificate – Lang Fang Shi Fang Quan Zheng Lang Zi Di No. 201614700, the property with a total gross floor area of approximately 102,947.32 sq.m. is owned by Langfang Kaihong.
4. Pursuant to 314 Exhibition Space Agreements, portions of the property with a total gross floor area of approximately 78,735.25 sq.m. are leased to various tenants for commercial purpose with the expiry dates between 28 February 2018 to 31 August 2018 at a total monthly rent receivable as at the valuation date of approximately RMB5,176,000.
5. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB55 to RMB75 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 7.5% for commercial purpose as the capitalization rate in the valuation.
6. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:

Langfang Kaihong legally owns the land use rights and building ownership rights of the property.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB																						
28.	Wuhan Hanyang Mall Te No. 8 Longyang Road Hanyang District Wuhan City Hubei Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 33,322.04 sq.m. and a 9-storey commercial building known as Wuhan Hanyang Mall which was completed in 2016.</p> <p>The property is located at the eastern side of Longyang Road and the northern side of Sixin Road Hanyang District and well-served by good facilities and convenient traffic along the main roads.</p> <p>The property has a total gross floor area of approximately 147,970.90 sq.m. and the details are set out as following:</p> <table border="0" style="margin-left: 40px; width: 80%;"> <thead> <tr> <th style="text-align: left;">Usage</th> <th style="text-align: right;">Planned Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr><td>B2</td><td style="text-align: right;">24,967.16</td></tr> <tr><td>B1</td><td style="text-align: right;">23,894.74</td></tr> <tr><td>Level 1</td><td style="text-align: right;">14,384.00</td></tr> <tr><td>Level 2</td><td style="text-align: right;">14,751.00</td></tr> <tr><td>Level 3</td><td style="text-align: right;">14,312.00</td></tr> <tr><td>Level 4</td><td style="text-align: right;">13,900.00</td></tr> <tr><td>Level 5</td><td style="text-align: right;">14,003.00</td></tr> <tr><td>Level 6</td><td style="text-align: right;">13,756.00</td></tr> <tr><td>Level 7</td><td style="text-align: right;">14,003.00</td></tr> <tr><td>Total:</td><td style="text-align: right;"><u>147,970.90</u></td></tr> </tbody> </table>	Usage	Planned Gross Floor Area (sq.m.)	B2	24,967.16	B1	23,894.74	Level 1	14,384.00	Level 2	14,751.00	Level 3	14,312.00	Level 4	13,900.00	Level 5	14,003.00	Level 6	13,756.00	Level 7	14,003.00	Total:	<u>147,970.90</u>	As advised by the Group, the property was rented to various parties as at the valuation date.	866,000,000
Usage	Planned Gross Floor Area (sq.m.)																									
B2	24,967.16																									
B1	23,894.74																									
Level 1	14,384.00																									
Level 2	14,751.00																									
Level 3	14,312.00																									
Level 4	13,900.00																									
Level 5	14,003.00																									
Level 6	13,756.00																									
Level 7	14,003.00																									
Total:	<u>147,970.90</u>																									

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
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The land use rights of the property have been granted for a term expiring on 7 October 2053 for commercial use.

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Wu Guo Yong (2013) Di No. 279, the land use rights of a parcel of land with a site area of approximately 33,322.04 sq.m. on which the property is situated, have been granted to Wuhan Red Star Macalline Global Home Living Plaza Development Company Limited (“Wuhan Global”), a wholly-owned subsidiary of the Company, for a term expiring on 7 October 2053 for commercial use.
2. Pursuant to a Construction Land Planning Permit – Di Zi Di Wu Gui (Yang) Di (2013) No. 13, permission towards the planning of the aforesaid land parcel with a site area of approximately 33,322.04 sq.m. has been granted to Wuhan Global.
3. Pursuant to a Construction Work Planning Permit – Jian Zi Di Wu Gui (Yang) Jian (2013) No. 50 HYAA20130083 issued by Construction and Planning Bureau of Wuhan City Hanyang Branch in favour of Wuhan Global, the construction works of the property with a total planned gross floor area of approximately 147,970.90 sq.m. have been approved.
4. Pursuant to a Construction Work Commencement Permit – No. 4201052013091600114BJ4001 issued by Construction and Planning Bureau of Wuhan City, Hanyang Sub-branch in favour of Wuhan Global, the commencement of the construction works of the property with a total gross floor area of approximately 147,970.90 sq.m. has been permitted.
5. Pursuant to a Real Estate Title Certificate – E (2018) Wuhan City Han Yang Bu Dong Chan Quan Di No. 0003447, portions of the property with a gross floor area of approximately 111,838.95 sq.m. is owned by Wuhan Global, and the land use rights of the property with a site area of approximately 33,322.04 sq.m. were granted to Wuhan Global for a term expiring on 7 October 2053 for commercial use.
6. Pursuant to 286 Exhibition Space Agreements, the property is leased to various tenants for commercial purpose with the expiry date on 29 September 2018 at a total monthly rent receivable as at the valuation date of approximately RMB4,555,000.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

7. Our valuation has been made on the following basis and analysis:
- a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB50 to RMB105 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 7% for commercial purpose as the capitalization rate in the valuation.
8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

Wuhan Global legally owns the land use rights and building ownership rights of the property.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB																				
29.	Hefei Silihe Mall located at the western side of Silihe Road and the northern side of Qianshan Road Luyang District Hefei City Anhui Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 40,000.00 sq.m. and a 8-storey commercial building known as Hefei Silihe Mall which was completed in 2016.</p> <p>The property is located at western side of Silihe Road and the northern side of Qianshan Road Luyang District and well-served by good facilities and convenient traffic along the main roads.</p> <p>The property has a total gross floor area of approximately 149,277.70 sq.m. and the details are set out as following:</p>	As advised by the Group, portions of the property were rented to various parties and the remaining portions were vacant as at the valuation date.	750,000,000																				
		<table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Usage</th> <th style="text-align: right;">Planned Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>B2</td> <td style="text-align: right;">27,400.80</td> </tr> <tr> <td>B1</td> <td style="text-align: right;">27,469.70</td> </tr> <tr> <td>Level 1</td> <td style="text-align: right;">18,625.60</td> </tr> <tr> <td>Level 2</td> <td style="text-align: right;">18,625.60</td> </tr> <tr> <td>Level 3</td> <td style="text-align: right;">18,625.60</td> </tr> <tr> <td>Level 4</td> <td style="text-align: right;">18,397.00</td> </tr> <tr> <td>Level 5</td> <td style="text-align: right;">18,168.40</td> </tr> <tr> <td>Level 6</td> <td style="text-align: right; border-top: 1px solid black;">1,965.00</td> </tr> <tr> <td>Total:</td> <td style="text-align: right; border-top: 3px double black;">149,277.70</td> </tr> </tbody> </table>	Usage	Planned Gross Floor Area (sq.m.)	B2	27,400.80	B1	27,469.70	Level 1	18,625.60	Level 2	18,625.60	Level 3	18,625.60	Level 4	18,397.00	Level 5	18,168.40	Level 6	1,965.00	Total:	149,277.70		
Usage	Planned Gross Floor Area (sq.m.)																							
B2	27,400.80																							
B1	27,469.70																							
Level 1	18,625.60																							
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Level 3	18,625.60																							
Level 4	18,397.00																							
Level 5	18,168.40																							
Level 6	1,965.00																							
Total:	149,277.70																							

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
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The land use rights of the property have been granted for a term expiring on 23 October 2051 for commercial use.

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated 14 May 2013, the land use rights of the property were contracted to be granted to Hefei Red Star Macalline Shibo Home Furnishing Plaza Company Limited ("Hefei Shibo"), a wholly-owned subsidiary of the Company with the particulars as follows:
 - Site Area : 40,000.00 sq.m.
 - Land Use : Commercial use
 - Land Term : 40 years
 - Plot Ratio : 2.9
 - Land Premium : RMB120,000,000
2. Pursuant to a Construction Land Planning Permit – Di Zi No. 340103201300020, permission towards the planning of the aforesaid land parcel with a site area of approximately 40,000.00 sq.m. has been granted to Hefei Shibo.
3. Pursuant to a State-owned Land Use Rights Certificate – He Guo Yong (2013) Di No. 265, the land use rights of a parcel of land with a site area of approximately 40,000 sq.m. on which the property is situated, have been granted to Hefei Shibo for a term expiring on 6 May 2053 for commercial use.
4. Pursuant to a Construction Work Planning Permit – He Gui Jian Min Xu No. 2013444 issued by Construction and Planning Bureau of Hefei City in favour of Hefei Shibo, the construction works of the property with a total planned gross floor area of approximately 149,729.67 sq.m. (including the property) have been approved.
5. Pursuant to a Construction Work Commencement Permit – No. 34010314072801S01 issued by Hefei Urban and Rural Construction Committee in favour of Hefei Shibo, the commencement of the construction works of the property with a total gross floor area of approximately 149,729.67 sq.m. (including the property) has been permitted.
6. Pursuant to 251 Exhibition Space Agreements, portions of the property with a total gross floor area of approximately 75,715.11 sq.m. are leased to various tenants for commercial purpose with the expiry dates between 28 February 2018 to 30 November 2018 at a total monthly rent receivable as at the valuation date of approximately RMB5,456,000.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

7. Our valuation has been made on the following basis and analysis:
- a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB54 to RMB75 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 7% for commercial purpose as the capitalization rate in the valuation.
8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
- a. Hefei Shibo legally owns the land use rights of the property; and
 - b. It has not been found any material legal impediment for Hefei Shibo in obtaining the Building Ownership Certificate after obtaining the necessary approval and consent according to the relevant laws and regulations, as well as binding contracts and other legal instruments and paying off the relevant stipulated fees.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB																				
30.	Nanjing Pukou Mall located at the northern side of Pukou Avenue Pukou District Nanjing City Jiangsu Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 54,124.0 sq.m. and 3 commercial buildings known as Nanjing Pukou Mall erected thereon, Block A of which was completed in December 2017. Block B and Block C of the property were under construction as at the valuation date and are scheduled to be completed in December 2018.</p> <p>The property is located at the northern side of Pukou Avenue Pukou District and well-served by good facilities and convenient traffic along the main roads.</p> <p>Block A of the property has a total gross floor area of approximately 198,932.10 sq.m. The details are set out as following:</p>	<p>As advised by the Group, Block A was rented to various parties as at the valuation date. Block B and Block C of the property were under construction as at the valuation date.</p>	1,384,000,000																				
		<table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Floor</th> <th style="text-align: right;">Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Basement Level 2</td> <td style="text-align: right;">43,221.90</td> </tr> <tr> <td>Basement Level 1</td> <td style="text-align: right;">45,171.30</td> </tr> <tr> <td>Level 1</td> <td style="text-align: right;">18,423.15</td> </tr> <tr> <td>Level 2</td> <td style="text-align: right;">18,423.15</td> </tr> <tr> <td>Level 3</td> <td style="text-align: right;">18,423.15</td> </tr> <tr> <td>Level 4</td> <td style="text-align: right;">18,423.15</td> </tr> <tr> <td>Level 5</td> <td style="text-align: right;">18,423.15</td> </tr> <tr> <td>Level 6</td> <td style="text-align: right;">18,423.15</td> </tr> <tr> <td>Total:</td> <td style="text-align: right;">198,932.10</td> </tr> </tbody> </table>	Floor	Gross Floor Area (sq.m.)	Basement Level 2	43,221.90	Basement Level 1	45,171.30	Level 1	18,423.15	Level 2	18,423.15	Level 3	18,423.15	Level 4	18,423.15	Level 5	18,423.15	Level 6	18,423.15	Total:	198,932.10		
Floor	Gross Floor Area (sq.m.)																							
Basement Level 2	43,221.90																							
Basement Level 1	45,171.30																							
Level 1	18,423.15																							
Level 2	18,423.15																							
Level 3	18,423.15																							
Level 4	18,423.15																							
Level 5	18,423.15																							
Level 6	18,423.15																							
Total:	198,932.10																							

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
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Block B and Block C are scheduled to be completed in December 2018. Upon completion, the development will have a total gross floor area of approximately 49,393.2 sq.m.

Section	Planned Gross Floor Area (sq.m.)
Block B	25,307.9
Block C	24,085.3
Total:	<u>49,393.2</u>

As advised by the Group, the development cost (including the land cost) of Block B and Block C is estimated to be approximately RMB344,000,000, of which approximately RMB208,000,000 had been paid up to the valuation date.

The land use rights of the property have been granted for a term expiring on 12 June 2053 for commercial use.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – 3201012012CR114 dated 6 December 2012, the land use rights of the property were contracted to be granted to Nanjing Red Star International Home Living Company Limited (“Nanjing International”), a wholly-owned subsidiary of the Company with the particulars as follows:

Site Area : 54,124 sq.m.
Land Use : Commercial
Land Term : 40 years for commercial
Plot Ratio : 3.0
Land Premium : RMB301,000,000
2. Pursuant to a Construction Land Planning Permit – Di Zi No. 320111201310451, permission towards the planning of the aforesaid land parcel with a site area of approximately 54,122.21 sq.m. has been granted to Nanjing International.
3. Pursuant to a State-owned Land Use Rights Certificate – Ning Pu Guo Yong (2013) Di No. 05412, the land use rights of a parcel of land with a site area of approximately 54,124.0 sq.m. on which the property is situated, have been granted to Nanjing International for a term expiring on 12 June 2053 for commercial use.
4. Pursuant to a Construction Work Planning Permit – Jian Zi No. 320111201410566 issued by Construction and Planning Bureau of Nanjing City in favour of Nanjing International, the construction works of the property with a total planned gross floor area of approximately 248,325.30 sq.m. have been approved.
5. Pursuant to 2 Construction Work Commencement Permits – Nos. 320101820140007, and 320101820140008 issued by Nanjing Urban and Rural Construction Committee in favour of Nanjing International, the commencement of the construction works of the property with a total gross floor area of approximately 248,325.30 sq.m. has been permitted.
6. Pursuant to 322 Exhibition Space Agreements, portions of the property with a total gross floor area of approximately 102,975.18 sq.m. are leased to various tenants for commercial purpose with the expiry date on 29 December 2018 for a total monthly rent receivable as at the valuation date of approximately RMB7,596,000.
7. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have compared with similar developments which are located in the similar areas as the subject property. The unit rent of comparable office units range from RMB36 to RMB44 per sq.m. per month; The unit rent of these comparable retail units range from RMB45 to RMB80 per sq.m. per month. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property.
 - b. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date, and for office portions, the stabilized market yield ranged from 4% to 6% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 7% for retail purpose and 5.5% for office purpose as the capitalization rate in the valuation.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
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8. The market value of Block B and Block C of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB494,000,000.
9. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. Nanjing International legally owns the land use rights of the property; and
 - b. Nanjing International has legally obtained the relevant approvals in respect of the development and construction as mentioned in notes 1 to 5. Nanjing International will continue the relevant procedures to obtain the necessary approval and consent according to the relevant laws and regulations, as well as binding contracts and other legal instruments and paying off the relevant stipulated fees;

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
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VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
31	Huayun Shopping Mall No. 160 Jinbin Avenue Hedong District Tianjin The PRC	<p>The property comprises a parcel of land with a site area of approximately 42,399.10 sq.m. and a 7-storey commercial building (plus two levels basement) erected thereon which was completed in February 2012.</p> <p>The property is located at the southern side of Jinbin Avenue, the western side of Dongxing Road and the eastern side of Linke East Road in Hedong District. This area is well-served by good facilities and convenient traffic along the main roads. The surrounding environment is a commercial area supported by retail stores and commercial buildings.</p> <p>The property has a total gross floor area of approximately 219,798.52 sq.m. The details are set out as following:</p>	<p>As advised by the Group, portions of the property were rented to various parties and the remaining portions were vacant for commercial use as at the valuation date.</p>	1,955,000,000
		Floor	Gross Floor Area (sq.m.)	
		Basement Level 2	35,827.16	
		Basement Level 1	35,607.36	
		Level 1	26,156.02	
		Level 2	24,177.84	
		Level 3	24,177.84	
		Level 4	24,177.84	
		Level 5	24,177.84	
		Level 6	24,177.84	
		Level 7	1,318.78	
		Total:	219,798.52	

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
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The land use rights of the property have been granted for a term expiring on 15 April 2050 for commercial use.

Notes:

1. Pursuant to 3 Real Estate Title Certificates – Fang Di Zheng Jin Zi Di Nos. 102021323064, 102021323056 and 102021323067, a building with a total gross floor area of approximately 219,798.52 sq.m. is owned by Tianjin Red Star Macalline International Home Living Expo Company Limited (“Tianjin International Expo”), a 65% interest owned subsidiary of the Company, and the relevant land use rights of the property with a site area of approximately 42,399.10 sq.m. have been granted to Tianjin International Expo for a term expiring on 15 April 2050 for commercial use.
2. Pursuant to 575 Exhibition Space Agreements, portions of the property with a total gross floor area of approximately 101,495.64 sq.m. are leased to various tenants for commercial purpose with the expiry dates between 28 February 2018 to 31 August 2018 at a total monthly rent receivable as at the valuation date of approximately RMB12,656,000.
3. Our valuation has been made on the following basis and analysis:
 - c. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - d. The unit rent of these comparable commercial units range from RMB72 to RMB165 per sq.m. per month; and
 - e. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 6.5% for commercial purpose as the capitalization rate in the valuation.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:

Tianjin International Expo legally owns the land use rights and building ownership rights of the property.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB																						
32	Tianjin Beichen Mall located at the junction of Jingjin Road and Longmen East Road Beichen District Tianjin The PRC	<p>The property comprises a parcel of land with a site area of approximately 36,667.60 sq.m., and a commercial building known as Tianjin Beichen Mall erected thereon which was completed in May 2017.</p> <p>The property is located at the junction from Jingjin Road and Longmen Eastern Road, Beichen District and well-served by good facilities and convenient traffic along the main roads.</p> <p>The property has a total gross floor area of approximately 167,145 sq.m. The details are set out as following:</p>	As advised by the Group, portions of the property were rented to various parties and the remaining portions were vacant as at the valuation date.	1,116,000,000																						
		<table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Floor</th> <th style="text-align: right;">Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Basement Level 2</td> <td style="text-align: right;">30,316.00</td> </tr> <tr> <td>Basement Level 1</td> <td style="text-align: right;">30,129.00</td> </tr> <tr> <td>Level 1</td> <td style="text-align: right;">17,358.00</td> </tr> <tr> <td>Level 2</td> <td style="text-align: right;">17,927.00</td> </tr> <tr> <td>Level 3</td> <td style="text-align: right;">17,899.00</td> </tr> <tr> <td>Level 4</td> <td style="text-align: right;">17,655.00</td> </tr> <tr> <td>Level 5</td> <td style="text-align: right;">17,638.00</td> </tr> <tr> <td>Level 6</td> <td style="text-align: right;">17,638.00</td> </tr> <tr> <td>Level 7</td> <td style="text-align: right;">585.00</td> </tr> <tr> <td>Total:</td> <td style="text-align: right;"><u>167,145.00</u></td> </tr> </tbody> </table>	Floor	Gross Floor Area (sq.m.)	Basement Level 2	30,316.00	Basement Level 1	30,129.00	Level 1	17,358.00	Level 2	17,927.00	Level 3	17,899.00	Level 4	17,655.00	Level 5	17,638.00	Level 6	17,638.00	Level 7	585.00	Total:	<u>167,145.00</u>		
Floor	Gross Floor Area (sq.m.)																									
Basement Level 2	30,316.00																									
Basement Level 1	30,129.00																									
Level 1	17,358.00																									
Level 2	17,927.00																									
Level 3	17,899.00																									
Level 4	17,655.00																									
Level 5	17,638.00																									
Level 6	17,638.00																									
Level 7	585.00																									
Total:	<u>167,145.00</u>																									

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
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The land use rights of the property have been granted for a term expiring on 19 March 2052 for commercial use.

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – No.TJ1102013014 dated 26 September 2013, the land use rights of the property were contracted to be granted to Tianjin Red Star Macalline World Trade Home Living Company Limited (“Tianjin World Trade”), a wholly-owned subsidiary of the Company with the particulars as follows:
 - Site Area : 36,667.60 sq.m.
 - Land Use : Commercial
 - Land Term : 40 years for commercial
 - Plot Ratio : 3.0
 - Land Premium : RMB482,100,000
2. Pursuant to a Construction Land Planning Permit – 2013 Bei Chen Di Zheng No.0061, permission towards the planning of the aforesaid land parcel with a site area of approximately 36,667.60 sq.m. has been granted to Tianjin World Trade.
3. Pursuant to a State-owned Land Use Rights Certificate – Fang Di Zheng Jin Zi Di No. 113051400047, the land use rights of a parcel of land with a site area of approximately 36,667.60 sq.m. on which the property is situated, have been granted to Tianjin World Trade, for terms with the expiry date on 30 December 2053 for commercial use.
4. Pursuant to a Construction Work Planning Permit – 2015 Bei Chen Jian Zheng No. 0009 issued by Construction and Planning Bureau of Tianjin Beichen Branch in favor of Tianjin World Trade, the construction works of the property with a total planned gross floor area of approximately 167,145 sq.m. have been approved.
5. Pursuant to 2 Construction Work Commencement Permits – Nos. 12011320150327011161 and 12011320150505011161 issued by Tianjin Beichen District Administrative Examination and Approval Department in favor of Tianjin World Trade, the commencement of the construction works of the property with a total gross floor area of approximately 167,145 sq.m. has been permitted.
6. Pursuant to 265 Exhibition Space Agreements, portions of the property with a total gross floor area of approximately 56,003.59 sq.m. are leased to various tenants for commercial purpose with the expiry dates between 30 April 2018 to 30 April 2019 at a total monthly rent receivable as at the valuation date of approximately RMB4,812,000.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

7. Our valuation has been made on the following basis and analysis:
- a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB65 to RMB130 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 7% for commercial purpose as the capitalization rate in the valuation.
8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
- a. Tianjin World Trade legally owns the land use rights of the property; and
 - b. It has not been found any material legal impediment for Tianjin World Trade in obtaining the Building Ownership Certificate after obtaining the necessary approval and consent according to the relevant laws and regulations, as well as binding contracts and other legal instruments and paying off the relevant stipulated fees.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
33.	Harbin Xikezhan Mall located at the junction of Chengxiang Road and Hexie Avenue Daoli District Harbin City Heilongjiang Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 39,325.4 sq.m. and a 6-storey commercial building known as Xikezhan Mall which was completed in 2016.</p> <p>The property is located at the junction of Chengxiang Road and Hexie Avenue, Daoli District and well served by good facilities and convenient traffic along the main roads.</p> <p>The property has a total gross floor area of approximately 148,543.36 sq.m.</p> <p>The land use rights of the property have been granted for a term expiring on 25 December 2054 for wholesale and retail uses.</p>	As advised by the Group, portions of the property were rented to various parties and the remaining portions were vacant as at the valuation date.	947,000,000

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

Notes:

1. Pursuant to a Real Estate Title Certificate – Hei (2017) Harbin Shi Bu Dong Chan Di No.0009581, the property with a gross floor area of approximately 148,543.36 sq.m. is owned by Harbin Red Star Macalline International Home Living Company Limited (“Harbin International”), a wholly-owned subsidiary of the Group, and the land use rights of the property with a site area of approximately 39,325.40 sq.m. were granted to Harbin International, for a term expiring on 25 December 2054 for commercial use.
2. Pursuant to 311 Exhibition Space Agreements, portions of the property with a total gross floor area of approximately 76,988.35 sq.m. are leased to various tenants for commercial purpose with the expiry dates between 28 February 2018 to 30 September 2018 at a total monthly rent receivable as at the valuation date of approximately RMB7,949,000.
3. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB55 to RMB100 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 7% for commercial purpose as the capitalization rate in the valuation.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:

Harbin International legally owns the land use rights and building ownership rights of the property.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
34	Changchun Yuanda Mall located at the southern side of Hedong Road the northern side of Yumin Road and the eastern side of Yuanda Street Erdao District Changchun City Jilin Province The PRC	The property comprises a parcel of land with a site area of approximately 54,062.00 sq.m. and a 5-storey commercial building (plus two levels basement) erected thereon which was completed in May 2012. The property is located at the southern side of Hedong Road, the northern side of Yumin Road and the eastern side of Yuanda Street in Erdao District. This area is well-served by good facilities and convenient traffic along the main roads.	As advised by the Group, the property was rented to various parties for commercial use as at the valuation date.	1,044,000,000

The property has a total gross floor area of approximately 171,960.38 sq.m. The details are set out as following:

Floor	Gross Floor Area (sq.m.)
Basement Level	41,799.90
Level 1	26,482.12
Level 2	25,967.69
Level 3	25,967.69
Level 4	25,967.69
Level 5	<u>25,775.29</u>
Total:	<u>171,960.38</u>

The land use rights of the property have been granted for a term expiring on 7 October 2048 for commercial use.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Chang Guo Yong (2010) Di No. 050013689, the land use rights of the property with a site area of approximately 54,062 sq.m. were granted to Changchun Red Star Macalline Global Home Furnishing Property Company Limited (“Changchun Property”), a 70% interest owned subsidiary of the Company, for a term expiring on 7 October 2048 for commercial use.
2. Pursuant to a Construction Work Planning Permit – Jian Zi Di No. 220000201000003 issued by Changchun Urban and Rural Planning Bureau in favor of Changchun Property, the construction works of the property with a total planned gross floor of approximately 348,295.00 sq.m. (including the property) has been approved for construction.
3. Pursuant to a Construction Work Commencement Permit – Chang Jian Gong Zi (2011) Di No. 012 issued by Changchun Urban and Rural Construction Committee in favor of Changchun Property, the commencement of construction works of the property with a total floor area of approximately 173,148 sq.m. has been permitted.
4. Pursuant to a Building Ownership Certificate – Fang Quan Zheng Chang Fang Quan Zi Di No. 201506030605, portions of the property with a gross floor area of approximately 141,721.10 sq.m. is owned by Changchun Property.
5. Pursuant to 336 Exhibition Space Agreements, the property is leased to various tenants for commercial purpose with the expiry dates between 28 February 2018 to 20 June 2019 at a total monthly rent receivable as at the valuation date of approximately RMB8,145,000.
6. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB60 to RMB85 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 7.5% for commercial purpose as the capitalization rate in the valuation.
7. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:

Changchun Property legally owns the land use rights and building ownership rights of the property.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB																		
35.	Shenyang Shopping Mall No. 10 Hunnan West Road Hunnan New District Shenyang City Liaoning Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 37,270 sq.m. and a 7-storey commercial building (plus one level basement) erected thereon which was completed in April 2012.</p> <p>The property is located in the center of Hunnan New District, which is rapidly becoming a developed, high-end residential area. This area is well-served by good facilities and convenient traffic along the main roads.</p> <p>The property has a total gross floor area of approximately 168,183.99 sq.m. The details are set out as following:</p> <table border="0" style="margin-left: 40px; width: 100%;"> <thead> <tr> <th style="text-align: left;">Floor</th> <th style="text-align: right;">Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr><td>Basement Level 1</td><td style="text-align: right;">27,672.29</td></tr> <tr><td>Level 1</td><td style="text-align: right;">27,672.30</td></tr> <tr><td>Level 2</td><td style="text-align: right;">27,672.30</td></tr> <tr><td>Level 3</td><td style="text-align: right;">27,672.30</td></tr> <tr><td>Level 4</td><td style="text-align: right;">27,672.30</td></tr> <tr><td>Level 5</td><td style="text-align: right;">27,672.30</td></tr> <tr><td>Level 6</td><td style="text-align: right; border-top: 1px solid black;">2,150.20</td></tr> <tr><td>Total:</td><td style="text-align: right; border-top: 3px double black;">168,183.99</td></tr> </tbody> </table>	Floor	Gross Floor Area (sq.m.)	Basement Level 1	27,672.29	Level 1	27,672.30	Level 2	27,672.30	Level 3	27,672.30	Level 4	27,672.30	Level 5	27,672.30	Level 6	2,150.20	Total:	168,183.99	<p>As advised by the Group, portions of the property were rented to various and the remaining portions were vacant at the valuation date.</p>	1,708,000,000
Floor	Gross Floor Area (sq.m.)																					
Basement Level 1	27,672.29																					
Level 1	27,672.30																					
Level 2	27,672.30																					
Level 3	27,672.30																					
Level 4	27,672.30																					
Level 5	27,672.30																					
Level 6	2,150.20																					
Total:	168,183.99																					

The land use rights of the property have been granted for a term expiring on 27 December 2053 for commercial use.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Shen Yang Guo Yong (2015) Di No. HN00426, the land use rights of the property with a site area of approximately 37,270 sq.m. were granted to Shenyang Red Star Macalline Shibo Home Furnishing Company Limited (“Shenyang Shibo”), a wholly owned subsidiary of the Company, for a term expiring on 27 December 2053 for commercial use.
2. Pursuant to a Building Ownership Certificate – Shen Fang Quan Zheng Hun Nan Zi Di No. N100072361, the property with a total floor area of approximately 168,183.99 sq.m. is owned by Shenyang Shibo.
3. Pursuant to 500 Exhibition Space Agreements, portions of the property with a total gross floor area of approximately 118,398.85 sq.m. are leased to various tenants for commercial purpose with the expiry date on 31 March 2018 at a total monthly rent receivable as at the valuation date of approximately RMB13,250,000.
4. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB28 to RMB114 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 7.5% for commercial purpose as the capitalization rate in the valuation.
5. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:

Shenyang Shibo legally owns the land use rights and building ownership rights of the property.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB																		
36.	Shenyang Tiexi Phase II Mall No. 35 Bei Er East Road Tiexi District Shenyang City Liaoning Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 8,602.99 sq.m. and a 7-storey commercial building erected thereon which was completed in November 2014.</p> <p>The property is located at the junction of Xinghua Road and Yunfeng Road in Tiexi District. This area is well-served by good facilities and convenient traffic along the main roads. The surrounding environment is a commercial area supported by retail stores and commercial buildings.</p> <p>The property has a total gross floor area of approximately 44,160.41 sq.m. The details are set out as following:</p> <table border="0" style="margin-left: 40px; width: 100%;"> <thead> <tr> <th style="text-align: left;">Floor</th> <th style="text-align: right;">Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr><td>Level 1</td><td style="text-align: right;">6,446.39</td></tr> <tr><td>Level 2</td><td style="text-align: right;">6,446.39</td></tr> <tr><td>Level 3</td><td style="text-align: right;">6,446.39</td></tr> <tr><td>Level 4</td><td style="text-align: right;">6,446.39</td></tr> <tr><td>Level 5</td><td style="text-align: right;">6,446.39</td></tr> <tr><td>Level 6</td><td style="text-align: right;">6,446.39</td></tr> <tr><td>Level 7</td><td style="text-align: right;">5,482.07</td></tr> <tr><td>Total:</td><td style="text-align: right;"><u>44,160.41</u></td></tr> </tbody> </table>	Floor	Gross Floor Area (sq.m.)	Level 1	6,446.39	Level 2	6,446.39	Level 3	6,446.39	Level 4	6,446.39	Level 5	6,446.39	Level 6	6,446.39	Level 7	5,482.07	Total:	<u>44,160.41</u>	<p>As advised by the Group, the property was rented to various parties for commercial use as at the valuation date.</p>	526,000,000
Floor	Gross Floor Area (sq.m.)																					
Level 1	6,446.39																					
Level 2	6,446.39																					
Level 3	6,446.39																					
Level 4	6,446.39																					
Level 5	6,446.39																					
Level 6	6,446.39																					
Level 7	5,482.07																					
Total:	<u>44,160.41</u>																					

The land use rights of the property have been granted for a term expiring on 24 October 2054 for commercial use.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

Notes:

1. Pursuant to 5 State-owned Land Use Rights Certificates – Shen Yang Guo Yong (2015) Di Nos. TX00249, TX00250, TX00251, TX00252, TX00253, the land use rights of the property with a site area of approximately 8,602.99 sq.m. were granted to Shenyang Red Star Macalline Home Living Expo Company Limited (“Shenyang Expo”), a wholly interest owned subsidiary of the Company, for a term expiring on 24 October 2054 for commercial use.
2. Pursuant to 5 Building Ownership Certificates – Shen Fang Quan Zheng Zhong Xin Zi Di Nos. 060626297, 060626298, 060626304, 060626346 and 060626353, the property with a total gross floor area of approximately 44,160.41 sq.m. is owned by Shenyang Expo.
3. Pursuant to 105 Exhibition Space Agreements, the property is leased to various tenants for commercial purpose with the expiry dates between 31 March 2018 to 31 August 2018 at a total monthly rent receivable as at the valuation date of approximately RMB3,267,000.
4. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB40 to RMB175 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 7% for commercial purpose as the capitalization rate in the valuation.
5. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:

Shenyang Expo legally owns the land use rights and building ownership rights of the property.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB																
37	Beijing West- Fourth Ring Mall No. 113 West Fourth Ring Road Fengtai District Beijing The PRC	<p>The property comprises a parcel of land with a site area of approximately 31,510.77 sq.m. and a 5-storey commercial building with one level basement erected thereon which was completed in March 2002.</p> <p>The property is located at No. 113 West Fourth Ring Road Middle in Fengtai District, Beijing. This area is well-served by good facilities and convenient traffic along the main roads. The surrounding environment is a commercial area supported by residential and commercial buildings.</p> <p>The property has a total gross floor area of approximately 70,181.87 sq.m. The details are set out as following:</p>	As advised by the Group, the property was rented to various parties for commercial use as at the valuation date.	2,352,000,000																
		<table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: left;">Floor</th> <th style="text-align: right;">Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Basement Level 1</td> <td style="text-align: right;">12,367.83</td> </tr> <tr> <td>Level 1</td> <td style="text-align: right;">11,732.09</td> </tr> <tr> <td>Level 2</td> <td style="text-align: right;">11,696.97</td> </tr> <tr> <td>Level 3</td> <td style="text-align: right;">11,730.07</td> </tr> <tr> <td>Level 4</td> <td style="text-align: right;">11,448.89</td> </tr> <tr> <td>Level 5</td> <td style="text-align: right; border-top: 1px solid black;">11,206.02</td> </tr> <tr> <td>Total:</td> <td style="text-align: right; border-top: 3px double black;">70,181.87</td> </tr> </tbody> </table>	Floor	Gross Floor Area (sq.m.)	Basement Level 1	12,367.83	Level 1	11,732.09	Level 2	11,696.97	Level 3	11,730.07	Level 4	11,448.89	Level 5	11,206.02	Total:	70,181.87		
Floor	Gross Floor Area (sq.m.)																			
Basement Level 1	12,367.83																			
Level 1	11,732.09																			
Level 2	11,696.97																			
Level 3	11,730.07																			
Level 4	11,448.89																			
Level 5	11,206.02																			
Total:	70,181.87																			

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
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The land use rights of the property have been granted for terms expiring on 16 August 2047 for commercial use and 16 August 2057 for car parking use.

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Jing Feng Guo Yong (2010 Chu) Di No. 00202, the land use rights of the property with a site area of approximately 31,510.77 sq.m. were granted to Beijing Red Star Macalline International Home Furnishing Plaza Company Limited, (“Beijing International”), a wholly owned subsidiary of the Company, for terms expiring on 16 August 2047 for commercial use and 16 August 2057 for car parking use.
2. Pursuant to a Building Ownership Certificate – X Jing Fang Quan Zheng Feng Zi Di No. 262598, the property with a gross floor area of approximately 70,181.87 sq.m. is owned by Beijing International.
3. Pursuant to 404 Exhibition Space Agreements, the property is leased to various tenants for commercial purpose with the expiry date on 31 March 2018 at a total monthly rent receivable as at the valuation date of approximately RMB16,062,000. According to information provided by Beijing International, the Exhibition Space Agreements are undergoing the renewal process.
4. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB205 to RMB385 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 6% for commercial purpose as the capitalization rate in the valuation.
5. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:

Beijing International legally owns the land use rights and building ownership rights of the property.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
38	Beijing East- Fourth Ring Mall No. 193 East Fourth Ring Middle Road Chaoyang District Beijing The PRC	<p>The property comprises a parcel of land with a site area of approximately 19,035.29 sq.m. and a 6-storey commercial building (plus two levels basement) erected thereon which was completed in January 2006.</p> <p>The property is located at the northern side of East 4th Ring Middle Road in Chaoyang District. This area is well-served by good facilities and convenient traffic along the main roads. The surrounding environment is a commercial area supported by retail stores and commercial buildings.</p> <p>The property has a total gross floor area of approximately 84,043.89 sq.m. The details are set out as follows:</p>	As advised by the Group, the property was rented to various parties as at the valuation date.	2,897,000,000
		Floor	Gross Floor Area (sq.m.)	
		Basement Level 2	8,317.37	
		Basement Level 1	12,886.63	
		Level 1	10,321.67	
		Level 2	10,355.21	
		Level 3	10,410.45	
		Level 4	10,410.45	
		Level 5	10,410.45	
		Level 6	10,931.66	
		Total:	84,043.89	

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
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The land use rights of the property have been granted for terms expiring on 5 August 2044 for commercial use and 5 August 2054 for car parking use.

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Jing Chao Guo Yong (20011 Chu) Di No. 00549, the land use rights of the property with a site area of approximately 19,035.29 sq.m. were granted to Beijing Red Star Macalline Shibo Furniture Plaza Company Limited (“Beijing Shibo Furniture”), a wholly owned subsidiary of the Company, for terms expiring on 5 August 2044 for commercial use and 5 August 2054 for car parking use.
2. Pursuant to a Building Ownership Certificate – X Jing Fang Quan Zheng Chao Qi Zi Di No. 529780, the property with a gross floor area of approximately 84,043.89 sq.m. is owned by Beijing Shibo Furniture.
3. Pursuant to 466 Exhibition Space Agreements, the property is leased to various tenants for commercial purpose with the expiry dates between 28 February 2018 to 31 August 2018 at a total monthly rent receivable as at the valuation date of approximately RMB17,838,000.
4. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB242 to RMB438 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 6% for commercial purpose as the capitalization rate in the valuation.
5. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:

Beijing Shibo Furniture legally owns the land use rights and building ownership rights of the property.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
39	Beijing North Fourth-Ring Mall No. 1 Beishatan, Chaoyang District Beijing The PRC	The property comprises a parcel of land with a site area of approximately 20,408.48 sq.m. and a 7-storey commercial building (plus three levels basement) erected thereon which was completed in September 2008.	As advised by the Group, the property was rented to various parties as at the valuation date.	No commercial value

The property is located at the southern side of Kehui Road, the northern side of Datun Road, the western side of Lincui Road and eastern side of G6 Jing-Zang highway in Chaoyang District. This area is well-served by good facilities and convenient traffic along the main roads. The surrounding environment is a commercial area supported by retail stores and commercial buildings.

The property has a total gross floor area of approximately 89,636.55 sq.m. The details are set out as following:

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
		Level	Gross Floor Area (sq.m.)	
		Basement Level 3	11630.13	
		Basement Level 2	11,342.00	
		Basement Level 1	10,760.00	
		Level 1	7,547.00	
		Level 2	8,815.00	
		Level 3	8,815.00	
		Level 4	8,135.00	
		Level 5	8,887.71	
		Level 6	8,887.71	
		Level 7	4,837.00	
		Total:	89,636.55	

The land use rights of the property were leased from Chinese Academy of Agricultural Mechanization Sciences for scientific research use. (see note 1)

Notes:

1. According to a Land Lease Agreement dated 6 August 2007, entered into between Chinese Academy of Agricultural Mechanization Sciences and Red Star Furniture Group Company Limited (“Red Star Furniture”), which is a connected person (as defined under the Listing Rules) of the Company and is held as to 45% by Mr. CHE Jianxing (Chairman and actual controller of the Company), 45% by Changzhou Red Star Home Furnishing City (solely owned by Mr. CHE Jianxing), and 10% by Ms. CHE Jianfang (who holds 8% interests of Red Star Macalline Holding Group Company Ltd. (which holds 62.969% interests of the Company), the land use rights of a parcel of land with a site area of approximately 20,408.48 sq.m. were leased to Red Star Furniture for ten years commencing from the grand opening of the property at an annual rent of RMB26,315,000.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
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2. According to a supplemental agreement dated 20 March 2016, entered between Chinese Academy of Agricultural Mechanization Sciences, Red Star Furniture and Red Star Macalline Global (Beijing) Home Furnishing Plaza Company Limited (“Beijing Global”), a wholly owned subsidiary of the Company, Red Star Furniture transferred the leasehold rights and obligations under the Land Lease Agreement mentioned in notes 1 to Beijing Global; the contracted annual rent was adjusted to RMB31,249,088 effective from 1 January 2015.
3. In the valuation of this property, we have attributed no commercial value to the property which has not obtained Land Use Rights Certificate and Building Ownership Certificate under the name of the Group. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB2,336,000,000 assuming all relevant title certificates have been obtained and the property could be freely transferred.
4. Pursuant to 425 Exhibition Space Agreements, the property is rented to various parties for various terms with the expiry dates between 28 February 2018 and 5 August 2018 at a total monthly rent receivable as at the valuation date of approximately RMB19,010,000 for commercial purpose.
5. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB150 to RMB370 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 6.5% for commercial purpose as the capitalization rate in the valuation.
6. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a. Chinese Academy of Agricultural Mechanization Sciences has obtained the State-owned Land Use Rights Certificate of the property. The land nature is allocated and the usage of the land is scientific research;
 - b. Chinese Academy of Agricultural Mechanization Sciences has obtained the Building Ownership Certificate of the property;
 - c. According to a supplemental agreement mentioned in notes 2, Beijing Global is the actual party on behalf of Red Star Furniture in performing rights and assuming obligations under the Land Lease Agreement mentioned in notes 1;
 - d. The current commercial usage of the property is in compliance with the regulated scientific research land usage; and
 - e. The abovementioned status of the property title will not have material adverse effect on the operation the Company.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
40	Tianjin Dongli Mall No. 427 Jintang Road Dongli District Tianjin The PRC	<p>The property comprises a parcel of land with a site area of approximately 44,264.90 sq.m. and a 6-storey commercial building (plus two levels basement) erected thereon which was completed in September 2012.</p> <p>The property is located at the southern side of Sanwei Road, the northern side of Jintang Road, the eastern side of Erjing Road and the western side of Sanjing Road in Dongli District. This area is well-served by good facilities and convenient traffic along the main roads.</p> <p>The property has a total gross floor area of approximately 187,196.87 sq.m. The details are set out as following:</p>	As advised by the Group, portions of the property were rented to various parties and the remaining portions were vacant as at the valuation date.	759,000,000

Floor	Gross Floor Area (sq.m.)
Basement Level 2	28,282.99
Basement Level 1	26,121.88
Level 1	23,975.95
Level 2	23,695.81
Level 3	23,704.65
Level 4	23,389.80
Level 5	23,285.09
Level 6	14,740.70
Total:	187,196.87

The land use rights of the property have been granted for a term expiring on 22 March 2044 for commercial use.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

Notes:

1. Pursuant to a Real Estate Title Certificate – Fang Di Zheng Jin Zi Di No.110011312164, the building with a gross floor area of approximately 187,196.87 sq.m. is owned by Red Star Macalline Shibo (Tianjin) Home Furnishing Plaza Company Limited (“Tianjin Shibo”), a 51% interest owned subsidiary of the Company, and the relevant land use rights of the property with a site area of approximately 44,264.90 sq.m. have been granted to Tianjin Shibo for a term expiring on 22 March 2044 for commercial use.
2. Pursuant to 356 Exhibition Space Agreements, portions of the property with a total gross floor area of approximately 100,352 sq.m. are leased to various tenants for commercial purpose with the expiry dates between 28 February 2018 to 12 September 2020 at a total monthly rent receivable as at the valuation date of approximately RMB8,682,000.
3. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB22 to RMB82 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 7% for commercial purpose as the capitalization rate in the valuation.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:

Tianjin Shibo legally owns the land use rights and building ownership rights of the property.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB														
41	Xinglong Shopping Mall No. 1969 Puxing Highway Pujiang Town Minhang District Shanghai The PRC	<p>The property comprises a parcel of land with a site area of approximately 103,970 sq.m. and a 4-storey commercial building (plus one level basement) erected thereon which was completed in September 2014.</p> <p>The property is located at the northern side of Lianhang Road, the eastern side of Puxing highway, Pujiang Town, Minhang District. This area is well-served by good facilities and convenient traffic along the main roads. The surrounding environment is a residential area.</p> <p>The property has a total gross floor area of approximately 114,764.32 sq.m. The details are set out as following:</p> <table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Floor</th> <th style="text-align: right;">Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Basement Level 1</td> <td style="text-align: right;">35,248.87</td> </tr> <tr> <td>Level 1</td> <td style="text-align: right;">22,857.79</td> </tr> <tr> <td>Level 2</td> <td style="text-align: right;">20,627.61</td> </tr> <tr> <td>Level 3</td> <td style="text-align: right;">20,633.43</td> </tr> <tr> <td>Level 4</td> <td style="text-align: right; border-bottom: 1px solid black;">15,396.62</td> </tr> <tr> <td>Total:</td> <td style="text-align: right; border-bottom: 3px double black;">114,764.32</td> </tr> </tbody> </table>	Floor	Gross Floor Area (sq.m.)	Basement Level 1	35,248.87	Level 1	22,857.79	Level 2	20,627.61	Level 3	20,633.43	Level 4	15,396.62	Total:	114,764.32	<p>As advised by the Group, the property was rented to various parties for commercial use as at the valuation date.</p>	1,105,000,000
Floor	Gross Floor Area (sq.m.)																	
Basement Level 1	35,248.87																	
Level 1	22,857.79																	
Level 2	20,627.61																	
Level 3	20,633.43																	
Level 4	15,396.62																	
Total:	114,764.32																	

The land use rights of the property have been granted for terms expiring on 2 June 2051 for commercial use.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Min Zi (2015) Di No.069248, the property with a gross floor area of approximately 114,764.32 sq.m. is owned by Shanghai Red Star Macalline Xinglong Home Furnishing Company Limited (“Shanghai Xinglong”), a wholly owned subsidiary of the Company, and the land use rights of the property with a site area of approximately 103,970 sq.m. were granted to Shanghai Xinglong, for a term date expiring on 2 June 2051 for commercial use.
2. Pursuant to 259 Exhibition Space Agreements, the property is leased to various tenants for commercial purpose with the expiry dates between 28 February 2018 to 31 August 2018 at a total monthly rent receivable as at the valuation date of approximately RMB5,780,000.
3. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB80 to RMB165 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 6% for commercial purpose as the capitalization rate in the valuation.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:

Shanghai Xinglong legally owns the land use rights and building ownership rights of the property.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB																		
42	Shanghai Jinshan Mall No. 1858 Hangzhou Wan Avenue Jinshan District Shanghai City The PRC	<p>The property comprises a parcel of land with a site area of approximately 91,545 sq.m. and a 7-storey commercial building which was completed in 2016.</p> <p>The property is located at No. 1858 Hangzhou Wan Avenue in Jinshan District. This area is well-served by good facilities and convenient traffic along the main roads. The surrounding environment is a cluster of commercial and residential developments.</p> <p>The property has a total gross floor area of approximately 73,927.77 sq.m. The details are set out as following:</p>	As advised by the Group, the property was rented to various parties as at the valuation date.	550,000,000																		
		<table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Floor</th> <th style="text-align: right;">Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>B1</td> <td style="text-align: right;">12,887.08</td> </tr> <tr> <td>Level 1</td> <td style="text-align: right;">11,141.99</td> </tr> <tr> <td>Level 2</td> <td style="text-align: right;">11,141.99</td> </tr> <tr> <td>Level 3</td> <td style="text-align: right;">11,141.99</td> </tr> <tr> <td>Level 4</td> <td style="text-align: right;">11,141.99</td> </tr> <tr> <td>Level 5</td> <td style="text-align: right;">11,141.99</td> </tr> <tr> <td>Level 6</td> <td style="text-align: right;"><u>5,330.73</u></td> </tr> <tr> <td>Total:</td> <td style="text-align: right;"><u><u>73,927.77</u></u></td> </tr> </tbody> </table>	Floor	Gross Floor Area (sq.m.)	B1	12,887.08	Level 1	11,141.99	Level 2	11,141.99	Level 3	11,141.99	Level 4	11,141.99	Level 5	11,141.99	Level 6	<u>5,330.73</u>	Total:	<u><u>73,927.77</u></u>		
Floor	Gross Floor Area (sq.m.)																					
B1	12,887.08																					
Level 1	11,141.99																					
Level 2	11,141.99																					
Level 3	11,141.99																					
Level 4	11,141.99																					
Level 5	11,141.99																					
Level 6	<u>5,330.73</u>																					
Total:	<u><u>73,927.77</u></u>																					

The land use rights of the property have been granted for a term expiring on 19 August 2050 for commercial use.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

Notes:

1. Pursuant to 69 Real Estate Title Certificates – Hu (2017) Jin Zi Di Nos. 016353 to 016358, 016360 to 016361, 016377 to 016382, 016384, 016392 to 016394, 016430 to 016436, 016440, 016443 to 016448, 016458 to 016459, 016461 to 016463, 016465 to 016467, 016469 to 016496 and 000289, the property with a gross floor area of approximately 73,927.77 sq.m. were granted to Shanghai Jinshan Red Star Macalline Global Home Furniture Co., Ltd (Shanghai Jinshan Macalline), a wholly owned subsidiary of the Company, for a term expiring 19 August 2050 for commercial use.
2. Pursuant to 285 Exhibition Space Agreements, the property is leased to various tenants for commercial purpose with the expiry dates between 10 March 2018 and 31 January 2019, and the total monthly rent receivable as at the valuation date is approximately RMB3,732,000.
3. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB50 to RMB98 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 6% for commercial purpose as the capitalization rate in the valuation.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

Jinshan Macalline legally owns the land use rights and building ownership rights of the property.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
43	Yunnan Shopping Mall No. 318 Guangfu Road Xishan District Kunming City Yunnan Province The PRC	The property comprises a parcel of land with a site area of approximately 14,993.8 sq.m. and a 6-storey commercial building which was completed in August 2013.	As advised by the Group, the property was rented to various parties as at the valuation date.	857,000,000

The property is located at the southern side of Jinguang Road and the eastern side of Guangfu Road in Xishan District. This area is well-served by good facilities and convenient traffic along the main roads. The surrounding environment is a commercial area supported by retail stores and commercial buildings.

The property has a total gross floor area of approximately 84,277.55 sq.m. The details are set out as following:

Floor	Gross Floor Area (sq.m.)
Level 1	13,034.27
Level 2	14,362.16
Level 3	14,362.30
Level 4	14,362.24
Level 5	14,362.40
Level 6	<u>13,794.18</u>
Total:	<u>84,277.55</u>

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
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The land use rights of the property have been granted for a term expiring on 7 February 2050 for commercial use.

Notes:

1. Pursuant to 12 Real Estate Title Certificates – Yun (2017) Xi Shan Bu Dong Chan Quan Di Nos. 0187452 and 0187454 to 0187464, the property with a gross floor area of approximately 84,277.55 sq.m. is owned by Yunnan Red Star Macalline Home Furnishing Plaza Company Limited (“Yunnan Macalline”), a 87.47% interest owned subsidiary of the Company, and the land use rights of the property with a total site area of approximately 14,993.8 sq.m. were granted to Yunnan Macalline, for a term expiring on 7 February 2050 for commercial use.
2. Pursuant to 211 Exhibition Space Agreements, the property is leased to various tenants for commercial purpose with the expiry dates between 28 February 2018 to 31 August 2019 at a total monthly rent receivable as at the valuation date of approximately RMB6,809,000.
3. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB69 to RMB129 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 7.5% for commercial purpose as the capitalization rate in the valuation.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:

Yunnan Macalline legally owns the land use rights and building ownership rights of the property.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
44	Dongguan Wanjiang Mall located at the junction of Wandao Road and Sihuan Road Wanjiang District Dongguan City Fujian Province the PRC	<p>The property comprises a parcel of land with a site area of approximately 17,336.70 sq.m. and a commercial building known as Dongguan Wanjiang Mall which was completed in 2016.</p> <p>The property is located at the junction of Wandao Road and Sihuan Road. This area is well-served by good facilities and convenient traffic along the main roads. The surrounding environment is a commercial area supported by retail stores and commercial buildings.</p>	As advised by the Group, the property was rented to various parties as at the valuation date.	438,000,000

The property has a total gross floor area of approximately 94,000.47 sq.m. The details are set out as following:

Usage	Gross Floor Area (sq.m.)
Commercial	77,448.30
Underground carpark space	16,552.17
Total:	<u>94,000.47</u>

The land use rights of the property have been granted for a term expiring on 16 December 2050 for commercial use.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

Notes:

1. Pursuant to a Construction Land Planning Permit – Di Zi Di No. 2013-84-1001, permission towards the planning of the aforesaid land parcel with a site area of approximately 78,268.5 sq.m. has been granted to Dongguan Red Star Macalline Shibo Home Furnishing Company Limited (“Dongguan Shibo”), a 70%-interest owned subsidiary of the Company and Dongguan Jinyu Property Development Co., Ltd (“Dongguan Jinyu”).
2. Pursuant to a State-owned Land Use Rights Certificate – Dong Fu Guo Yong (2011) Di Te No. 139-1, the land use rights of the property with a site area of approximately 17,336.70 sq.m. were granted to Dongguan Shibo for a term expiring on 16 December 2050 for commercial use.
3. Pursuant to a Construction Work Planning Permit – Jian Zi Di No. 2014-84-1009 issued by Construction and Planning Bureau of Dongguan City in favour of Dongguan Shibo and Dongguan Jinyu, the construction works of the property with a total planned gross floor area of approximately 94,000.47 sq.m. have been approved.
4. Pursuant to a Construction Work Commencement Permit – No. 441900201412220801 issued by Construction and Planning Bureau of Dongguan City in favour of Dongguan Jinyu, the commencement of the construction works of the property with a gross floor area of approximately 94,000.47 sq.m. has been permitted.
5. Pursuant to a Construction Completion and Inspection Report – GD411, the property has been approved to be complied with the urban and rural planning requirements.
6. Pursuant to 204 Exhibition Space Agreements, the property is leased to various tenants for commercial purpose with the expiry dates between 28 February 2018 to 28 September 2018 at a total monthly rent receivable as at the valuation date of approximately RMB3,061,000.
7. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB40 to RMB78 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 7.5% for commercial purpose as the capitalization rate in the valuation.
8. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a. Dongguan Shibo legally owns the land use rights of the property; and
 - b. It has not been found any material legal impediment for Dongguan Shibo in obtaining the Building Ownership Certificate after obtaining the necessary approval and consent according to the relevant laws and regulations, as well as binding contracts and other legal instruments and paying off the relevant stipulated fees.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
45.	Hushi Yuquan Mall located at the western side of Xilinguole Road and the southern side of South Second Road Yuquan District Hohhot City Inner Mongolia the PRC	<p>The property comprises a parcel of land with a site area of approximately 30,111.12 sq.m. and a 7-storey commercial building known as Hushi Yuquan Mall which was completed in 2016.</p> <p>The property is located at the western side of Xilinguole Road and the southern side of South Second Road in Yuquan District. This area is well-served by good facilities and convenient traffic along the main roads. The surrounding environment is a commercial area supported by retail stores and commercial buildings.</p> <p>The property has a total gross floor area of approximately 121,691.98 sq.m. The details are set out as following:</p>	As advised by the Group, portions of the property were rented to various parties and the remaining portions were vacant as at the valuation date.	725,000,000

Usage	Planned Gross Floor Area (sq.m.)
-2F	17,257.96
-1F	16,671.43
1F	14,467.49
2F	14,550.87
3F	14,854.31
4F	14,483.90
5F	14,894.17
6F	14,511.85
Total:	121,691.98

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
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The land use rights of the property have been granted for a term expiring on 14 August 2052 for commercial use.

Notes:

1. Pursuant to a Land Transfer agreement entered into between Inner Mongolia Tianxi Property Development Co., Ltd and Hohhot City Red Star Macalline Shibo Home Furnishing Limited (“Hohhot Shibo”), a 60%-interest owned subsidiary of the Company, the land use rights of the property were contracted to be transferred to Hohhot Shibo.
2. Pursuant to a State-owned Land Use Rights Certificate – Hu Guo Yong (2014) Di NO. 00044, the land use rights of the property with a site area of approximately 30,111.12 sq.m. were granted to Hohhot Shibo for a term expiring on 14 April 2052 for commercial use.
3. Pursuant to a Real Estate Title Certificate – Meng (2017) Hohhot Shi Bu Dong Chan Quan Di No. 0007738, the property with a gross floor area of approximately 121,691.98 sq.m. is owned by Hohhot Shibo, and the land use rights of the property with a site area of approximately 30,111.12 sq.m. were granted to Hohhot Shibo, for a term expiring on 14 August 2052 for composite use.
4. Pursuant to 251 Exhibition Space Agreements, portions of the property with a total gross floor area of approximately 54,826.71 sq.m. are leased to various tenants for commercial purpose with the expiry dates between 30 April 2018 to 28 August 2019 at a total monthly rent receivable as at the valuation date of approximately RMB4,651,000.
5. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB63 to RMB106 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 6.5% for commercial purpose as the capitalization rate in the valuation.
6. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:

Hohhot Shibo legally owns the land use rights and building ownership rights of the property.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB																
46.	Suzhou Zhongxiang Mall No. 1 Yangqing Suzhou Industrial Park Suzhou City Jiangsu Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 66,159.31 sq.m. and a 5-storey commercial building (plus one level basement) erected thereon which was completed in May 2013.</p> <p>The property is located at the northern side of Yanghua Road, the eastern side of Yangfan Road, the southern side of Yangqing Road, Nanjing Industrial Park, Loufeng Town, Suzhou Industrial Park. This area is close to 312 National Expressway.</p> <p>The property has a total gross floor area of approximately 136,263.32 sq.m. The details are set out as following:</p> <table border="0" style="margin-left: 40px; width: 60%;"> <thead> <tr> <th style="text-align: left;">Floor</th> <th style="text-align: right;">Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Basement Level 1</td> <td style="text-align: right;">12,129.60</td> </tr> <tr> <td>Level 1</td> <td style="text-align: right;">22,285.78</td> </tr> <tr> <td>Level 2</td> <td style="text-align: right;">25,311.83</td> </tr> <tr> <td>Level 3</td> <td style="text-align: right;">25,606.34</td> </tr> <tr> <td>Level 4</td> <td style="text-align: right;">25,313.03</td> </tr> <tr> <td>Level 5</td> <td style="text-align: right;"><u>25,616.74</u></td> </tr> <tr> <td>Total:</td> <td style="text-align: right;"><u><u>136,263.32</u></u></td> </tr> </tbody> </table>	Floor	Gross Floor Area (sq.m.)	Basement Level 1	12,129.60	Level 1	22,285.78	Level 2	25,311.83	Level 3	25,606.34	Level 4	25,313.03	Level 5	<u>25,616.74</u>	Total:	<u><u>136,263.32</u></u>	As advised by the Group, the property was rented to various parties as at the valuation date.	1,085,000,000
Floor	Gross Floor Area (sq.m.)																			
Basement Level 1	12,129.60																			
Level 1	22,285.78																			
Level 2	25,311.83																			
Level 3	25,606.34																			
Level 4	25,313.03																			
Level 5	<u>25,616.74</u>																			
Total:	<u><u>136,263.32</u></u>																			

The land use rights of the property have been granted for a term expiring on 20 August 2049 for commercial use.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

Notes:

1. Pursuant to 6 State-owned Land Use Rights Certificates – Su Gong Yuan Guo Yong (2014) Di No. 42057, No. 42058, No. 42061, No. 42062, No. 42064 and No. 42066, the land use rights of the property with a site area of approximately 66,159.31 sq.m. were granted to Suzhou Industrial Park Zhongxiang Meitong Warehouse Sales Co., Ltd., (“Suzhou Zhongxiang”), a 55% interested owned subsidiary of the Group, for a term expiring on 20 August 2049 for commercial use.
2. Pursuant to 6 Building Ownership Certificates – Su Chang Quan Zheng Yuan Qu Zi Di No. 00570349, No. 00570350, No. 00570353, No. 00570354, No. 00570356, No. 00570358, portion of the property with a gross floor area of approximately 136,263.32 sq.m. is owned by Suzhou Zhongxiang.
3. Pursuant to 436 Exhibition Space Agreements, the property is leased to various tenants for commercial purpose with the expiry dates on 28 February 2018 and 31 July 2018, and the total monthly rent receivable as at the valuation date is approximately RMB10,409,000.
4. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB68 to RMB108 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 7.5% for commercial purpose as the capitalization rate in the valuation.
5. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:

Suzhou Zhongxiang legally owns the land use rights and building ownership rights of the property.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
47.	Suzhou Mudu Mall located at the western side of Changjiang Road and the northern side of Sufu Road Mudu Town Wuzhong District Suzhou City Zhejiang Province the PRC	<p>The property comprises a parcel of land with a site area of approximately 33,222.50 sq.m. as at the valuation date.</p> <p>The property is located at the western side of Changjiang Road and the northern side of Sufu Road in Wuzhong District. This area is well-served by good facilities and convenient traffic along the main roads. The surrounding environment is a commercial area supported by retail stores and commercial buildings.</p> <p>The development was completed in October 2017. Upon completion, the development has a total gross floor area of approximately 146,684.55 sq.m.</p> <p>The land use rights of the property have been granted for a term expiring on 11 March 2054 for commercial use.</p>	As advised by the Group, the property was rented to various parties as at the valuation date.	743,000,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Su (2017) Bu Dong Chan Quan No. 6005821, the land use rights of the property with a site area of approximately 33,222.5 sq.m. were granted to Suzhou Red Star Macalline Expo Home Furnishing Plaza Company Limited (“Suzhou Expo”), a 60% interest owned subsidiary of the Company, for a term expiring on 11 March 2054 for commercial use.
2. Pursuant to a Construction Land Planning Permit – Di Zi Di No. 320506201400109, permission towards the planning of the aforesaid land parcel with a site area of approximately 33,274.20 sq.m. has been granted to Suzhou Expo.
3. Pursuant to a Construction Work Planning Permit – Jian Zi Di No. 320506201500271 issued by Planning Bureau of Suzhou City in favour of Suzhou Kairun Property Co. Ltd. (“Suzhou Kairun”), a 60% interest owned subsidiary of Chongqing Red Star Macalline Enterprise Development Co. Ltd., the construction works of the property with a total planned gross floor area of approximately 146,684.55 sq.m. have been approved.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

4. Pursuant to a Construction Work Commencement Permit – No. 320506201601280000 issued by Urban and Rural Construction Bureau of Wuzhong District in favour of Suzhou Kairun the commencement of the construction works of the property with a total gross floor area of approximately 146,684.55 sq.m. has been permitted.
5. Pursuant to 205 Exhibition Space Agreements, the property is leased to various tenants for commercial purpose with the expiry date on 30 April 2019 at a total monthly rent receivable as at the valuation date of approximately RMB4,671,000.
6. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB60 to RMB85 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date, Considering the location, risks and characteristics of the property, we have applied a market yield of 6.5% for commercial purpose as the capitalization rate in the valuation.
7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. Suzhou Expo legally owns the land use rights of the property;
 - b. It has not been found any material legal impediment for Suzhou Expo in obtaining the Building Ownership Certificate after obtaining the necessary approval and consent according to the relevant laws and regulations, as well as binding contracts and other legal instruments and paying off the relevant stipulated fees.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB																		
48.	Red Star East China Logistics Park Phase I, and 2 buildings known as Red Star East China Logistics Park Phase II, Longtang Village, Cuozen Town, Feidong County, Hefei City Anhui Province The PRC	<p>The property comprises 2 parcels of land with a total site area of approximately 107,375 sq.m. and 7 warehouse buildings erected thereon known as Red Macalline East China Logistics Park- Phase I, which was completed in October 2015. Phase II of the property comprises 2 warehouse buildings which were under construction and erected on the remaining part of the land under construction as at the valuation date.</p> <p>The property is located at the Longtang Village, Cuozen Town in Feidong County. This area is well-served by good facilities and convenient traffic along the main roads. The surrounding environment is a commercial area supported by wholesale furniture and building material market.</p> <p>Phase I of the property has a total gross floor area of approximately 126,319.77 sq.m. The details are set out as following:</p>	<p>As advised by the Group, portions of Phase I of the property were rented to various parties for storage use and the remaining portions were vacant as at the valuation date. Phase II of the property was under construction as at the valuation date.</p>	268,000,000																		
		<table border="0" style="width: 100%; margin-left: auto;"> <thead> <tr> <th style="text-align: left;">Building</th> <th style="text-align: right;">Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>No. 2</td> <td style="text-align: right;">22,023.75</td> </tr> <tr> <td>No. 4</td> <td style="text-align: right;">16,179.92</td> </tr> <tr> <td>No. 5</td> <td style="text-align: right;">18,283.70</td> </tr> <tr> <td>No. 6</td> <td style="text-align: right;">18,283.70</td> </tr> <tr> <td>No. 11</td> <td style="text-align: right;">15,774.90</td> </tr> <tr> <td>No. 12</td> <td style="text-align: right;">17,886.90</td> </tr> <tr> <td>No. 13</td> <td style="text-align: right;">17,886.90</td> </tr> <tr> <td>Total:</td> <td style="text-align: right;"><u>126,319.77</u></td> </tr> </tbody> </table>	Building	Gross Floor Area (sq.m.)	No. 2	22,023.75	No. 4	16,179.92	No. 5	18,283.70	No. 6	18,283.70	No. 11	15,774.90	No. 12	17,886.90	No. 13	17,886.90	Total:	<u>126,319.77</u>		
Building	Gross Floor Area (sq.m.)																					
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**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
		<p>Phase II of the property is scheduled to be completed in June 2018. Upon completion, the development will have a total gross floor area of approximately 19,153 sq.m.</p> <p>As advised by the Group, the development cost (including the land cost) of Phase II of the property is estimated to be approximately RMB51,000,000, of which approximately RMB47,000,000 had been paid up to the valuation date.</p> <p>The land use rights of the property have been granted for terms expiring on 16 August 2062 and 28 February 2065 for storage use.</p>		

Notes:

1. Pursuant to an Enterprise Rename Announcement in 2016, the company name as Anhui Shengshi Dingtong Logistics Co., Ltd. (“Anhui Dingtong”) has been approved to replace the company name as Anhui Tenghui Logistics Co., Ltd. (“Anhui Tenghui”).
2. Pursuant to a State-owned Land Use Rights Certificate – Dong Guo Yong (2013) Di No. 0054, the land use rights of land parcel of the property with a site area of approximately 60,773.0 sq.m. were granted to Anhui Tenghui Logistics Co., Ltd. (“Anhui Tenghui”), a direct wholly-owned subsidiary of the Company, for a term expiring on 16 August 2062 for storage use.
3. Pursuant to 7 Building Ownership Certificates – Fang Di Quan Zheng Fei Dong Zi Di No. 10059230, 10059850, 10059229, 10059231, 10059232, 10059233 and 10059228, Phase I of the property with a total gross floor area of approximately 126,319.77 sq.m. is owned by Anhui Tenghui.
4. Pursuant to 187 Exhibition space Agreements, portions of Phase I of the property with a total gross floor area of approximately 103,622.92 sq.m. are leased to various tenants for storage purpose with the expiry dates between 28 February 2018 and 14 March 2024, and the total monthly rent receivable as at the valuation date is approximately RMB5,088,000,

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
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5. Pursuant to a Real Estate Title Certificate – Wan (2017) Fei Dong Xian Bu Dong Chan Quan Di No. 0004877, the land use rights of another land parcel of the property with a site area of approximately 46,602 sq.m. were granted to Anhui Dingtong, for a term expiring on 28 February 2065 for storage use.
6. Pursuant to a Construction Land Planning Permit – Di Zi Di No. 3401222016-05-14, permission towards the planning of the aforesaid land parcel with a site area of approximately 46,602 sq.m. has been granted to Anhui Tenghui.
7. Pursuant to 2 Construction Work Planning Permits – No. 340122201706-020 and No. 340122201706-021 issued by Planning Bureau of Feidong County in favour of Anhui Dingtong, the construction works of Phase II of the property with a total planned gross floor area of approximately 19,153 sq.m. have been approved.
8. Pursuant to a Construction Work Commencement Permit – No. 3401221703300101-SX-001 issued by Housing and Urban and Rural Construction Bureau of Feidong County Hefei City in favour of Anhui Dingtong, the commencement of the construction works of Phase II of the property with a total gross floor area of approximately 19,153 sq.m. has been permitted.
9. The market value of Phase II of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB60,000,000.
10. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing exhibition agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable logistics units range from RMB8 to RMB22 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 7.0% for logistics purpose as the capitalization rate in the valuation.
11. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:
 - a. Anhui Dingtong legally owns the land use rights and portions of the building ownership rights of the property. Anhui Dingtong has the rights to occupy, use, lease and dispose of the land of the property; and
 - b. Anhui Dingtong has legally obtained the relevant approvals in respect of the development and construction as mentioned in notes 6 to 8. Anhui Dingtong will continue the relevant procedures to obtain the necessary approval and consent according to the relevant laws and regulations, as well as binding contracts and other legal instruments and paying off the relevant stipulated fees.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB																				
49.	Lanzhou Red Star International Plaza No. 1 Feiyan Road High-tech New District Lanzhou City Gansu Province The PRC	<p>The property comprises 2 parcels of land with a total site area of approximately 45,901.20 sq.m. and a 6-storey commercial building which was completed in December 2015.</p> <p>The property is located at the eastern side of No. T608 Planned Road, the southern side of No. S615 Planned Road and the northern side of No. B640-1 Planned Road in High-tech New District. This area is well-served by good facilities and convenient traffic along the main roads. The surrounding environment is a commercial area supported by retail stores and commercial buildings.</p> <p>The property has a total gross floor area of approximately 147,944.25 sq.m. The details are set out as following:</p>	As advised by the Group, the property was rented to various parties for commercial use as at valuation date.	774,000,000																				
		<table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: left;">Floor</th> <th style="text-align: right;">Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr><td>Basement Level 2</td><td style="text-align: right;">25,074.89</td></tr> <tr><td>Basement Level 1</td><td style="text-align: right;">24,314.37</td></tr> <tr><td>Level 1</td><td style="text-align: right;">13,477.41</td></tr> <tr><td>Level 2</td><td style="text-align: right;">16,815.53</td></tr> <tr><td>Level 3</td><td style="text-align: right;">17,078.57</td></tr> <tr><td>Level 4</td><td style="text-align: right;">17,077.76</td></tr> <tr><td>Level 5</td><td style="text-align: right;">17,077.76</td></tr> <tr><td>Level 6</td><td style="text-align: right;">17,077.96</td></tr> <tr><td>Total:</td><td style="text-align: right;">147,944.25</td></tr> </tbody> </table>	Floor	Gross Floor Area (sq.m.)	Basement Level 2	25,074.89	Basement Level 1	24,314.37	Level 1	13,477.41	Level 2	16,815.53	Level 3	17,078.57	Level 4	17,077.76	Level 5	17,077.76	Level 6	17,077.96	Total:	147,944.25		
Floor	Gross Floor Area (sq.m.)																							
Basement Level 2	25,074.89																							
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Total:	147,944.25																							

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
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The land use rights of the property have been granted for a term expiring on 9 December 2050 for commercial use.

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Lan Guo Yong (2011) Di No. GX0027, a parcel of land with a site area of approximately 29,901.20 sq.m. were granted to Lanzhou Xinyuan Real Estate Co. Ltd. (“Lanzhou Xinyuan”), a cooperative developer of the property with Lanzhou Red Star Macalline Shibo Furnishing Plaza Company (“Lanzhou Shibo”), a wholly owned subsidiary of the Company, a for a term expiring on 9 December 2050 for commercial use.
2. Pursuant to a State-owned Land Use Rights Certificate – Lan Guo Yong (2011) Di No. GX0026, a parcel of land with a site area of approximately 16,000.00 sq.m. was granted to Lanzhou City Nanmiantan Gongmao Co. Ltd. (“Nanmiantan”), a cooperative developer of the property with Lanzhou Shibo, for a term expiring on 9 December 2050 for commercial use.
3. Pursuant to a Construction Work Planning Permit – Jian Zi Di No. 620100201300707 issued by Urban and Rural Planning Bureau of Lanzhou City High-tech and New District Sub Bureau in favour of Lanzhou Xinyuan and Nanmiantan, the construction works of the property with a total planned gross floor area of approximately 148,826.00 sq.m. (including the property) have been approved.
4. Pursuant to a Construction Work Commencement Permit – No. 620101201408070101 issued by Urban and Rural Construction Bureau of Lanzhou City in favour of Lanzhou Xinyuan and Nanmiantan, the commencement of the construction works of the property with a total floor area of approximately 148,826.00 (including the property) sq.m. has been permitted.
5. Pursuant to a Construction Completion and Inspection Certificates – Lan Gui Gao Gui Jian Yan (2016) No. 4, the property has been approved to be complied with the urban and rural planning requirements.
6. According to a cooperation agreement signed between Lanzhou Xinyuan and Lanzhou Shibo, Lanzhou Shibo will acquire 65% interests of the property developed with Lanzhou Xinyuan after obtaining Building Ownership Certificates.
7. According to a cooperation agreement signed between Nanmiantan and Lanzhou Shibo, Lanzhou Shibo will acquire interests of 32,000 sq.m. of the property developed with Nanmiantan with a gross floor area of approximately 80,000 sq.m. after obtaining of Building Ownership Certificates.

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8. Pursuant to 316 Exhibition Space Agreements, the property is leased to various tenants for commercial purpose with the expiry date on 31 November 2018, and the total monthly rent receivable as at the valuation date is approximately RMB7,115,000.
9. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB52 to RMB84 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 7.0% for commercial purpose as the capitalization rate in the valuation.
10. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. Lanzhou Shibo will continue with the relevant transfer procedure after the Building Ownership Certificate is obtained by the transferer companies; and
 - b. It has not been found any material legal impediment for Lanzhou Shibo in obtaining the Building Ownership Certificate after obtaining the necessary approval and consent according to the relevant laws and regulations, as well as binding contracts and other legal instruments and paying off the relevant stipulated fees.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
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VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
50.	Hefei Yuxi Mall located at the junction of Hema Road and Dongfeng Avenue Cuozen Town Feidong County Hefei City Anhui Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 57,307 sq.m. and a 7-storey commercial building which was completed in 2014.</p> <p>The property is located at the northern side of Hema Road and the western side of Dongfeng Avenue in Feidong County. This area is well-served by good facilities and convenient traffic along the main roads. The surrounding environment is a cluster of retail and wholesale trade of home furniture and construction material.</p>	As advised by the Group, portions of the property were rented to various parties and the remaining portions were vacant as at the valuation date.	502,000,000

The property has a total gross floor area of approximately 171,669.99 sq.m. The details are set out as following:

Usage	Planned Gross Floor Area (sq.m.)
B1	28,677.59
Level 1	13,938.26
Level 2	25,564.06
Level 3	25,872.52
Level 4	25,872.52
Level 5	25,872.52
Level 6	25,872.52
Total:	<u>171,669.99</u>

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
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The land use rights of the property have been granted for a term expiring on 11 July 2050 for commercial use.

Notes:

1. Pursuant to 22 Building Ownership Certificates – Fang Di Quan Zheng Feidong Zi Di Nos. 10047279 to 10047297 and 10047299 to 10047301, the property with a gross floor area of approximately 171,669.99 sq.m. is owned by Anhui Tenghui Investment Group Hefei Co., Ltd. (Tenghui Investment), a wholly owned subsidiary of Company
2. Pursuant to 150 Exhibition Space Agreements, portions of the property with a total gross floor area of approximately 51,369.7 sq.m. are leased to various tenants for commercial purpose with the expiry dates between 1 March 2018 and 30 November 2018, and the total monthly rent receivable as at the valuation date is approximately RMB1,481,000.
3. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB30 to RMB45 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 7.0% for commercial purpose as the capitalization rate in the valuation.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

Tenghui Investment legally owns the land use rights and building ownership rights of the property.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB																																				
51.	Chengdu Dongtai Mall No. 6 West Yi Section Second Ring Road Wuhou District Chengdu City Sichuan Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 22,954.05 sq.m. and a composite building which was completed in August 2011.</p> <p>The property is located at the southern side of 2nd Ring Road, the northern side of Guangfu Bridge north Road, the western side of Guangfu Road and the eastern side of Gaoshen Bridge Road in Wuhou District. This area is gathering the home furnishing shopping mall and convenient traffic along the main roads. The surrounding environment is a commercial area supported by retail stores and commercial buildings.</p> <p>The property has a total gross floor area of approximately 147,112.70 sq.m. The details are set out as following:</p>	As advised by the Group, portions of the property were rented to various parties and the remaining portions were vacant at the valuation date.	1,768,000,000																																				
		<table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Floor</th> <th style="text-align: right;">Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr><td>Basement Level 2</td><td style="text-align: right;">19,096.56</td></tr> <tr><td>Basement Level 1</td><td style="text-align: right;">18,463.48</td></tr> <tr><td>Level 1</td><td style="text-align: right;">12,218.55</td></tr> <tr><td>Level 2</td><td style="text-align: right;">12,573.39</td></tr> <tr><td>Level 3</td><td style="text-align: right;">12,573.81</td></tr> <tr><td>Level 4</td><td style="text-align: right;">12,573.81</td></tr> <tr><td>Level 5</td><td style="text-align: right;">12,573.81</td></tr> <tr><td>Level 6</td><td style="text-align: right;">12,573.81</td></tr> <tr><td>Level 7</td><td style="text-align: right;">2,638.57</td></tr> <tr><td>Level 8</td><td style="text-align: right;">4,566.06</td></tr> <tr><td>Level 9</td><td style="text-align: right;">4,566.06</td></tr> <tr><td>Level 10</td><td style="text-align: right;">4,566.06</td></tr> <tr><td>Level 11</td><td style="text-align: right;">4,566.06</td></tr> <tr><td>Level 12</td><td style="text-align: right;">4,566.06</td></tr> <tr><td>Level 13</td><td style="text-align: right;">4,566.06</td></tr> <tr><td>Level 14</td><td style="text-align: right;">4,430.55</td></tr> <tr> <td style="border-top: 1px solid black;">Total:</td> <td style="text-align: right; border-top: 1px solid black;">147,112.70</td> </tr> </tbody> </table>	Floor	Gross Floor Area (sq.m.)	Basement Level 2	19,096.56	Basement Level 1	18,463.48	Level 1	12,218.55	Level 2	12,573.39	Level 3	12,573.81	Level 4	12,573.81	Level 5	12,573.81	Level 6	12,573.81	Level 7	2,638.57	Level 8	4,566.06	Level 9	4,566.06	Level 10	4,566.06	Level 11	4,566.06	Level 12	4,566.06	Level 13	4,566.06	Level 14	4,430.55	Total:	147,112.70		
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**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
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The land use rights of the property have been granted for a term expiring on 9 October 2049 for commercial use.

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Cheng Guo Yong (2009) Di No. 890, the land use rights of the property with a site area of approximately 22,954.05 sq.m. were granted to Chengdu Dongtai, for a term expiring on 9 October 2049 for commercial use.
2. Pursuant to a Construction Work Planning Permit – Jian Zi Di No. 510107201130031 issued by Planning and Land Resources Bureau of Chengdu City in favour of Chengdu Dongtai the construction works of the property with a total planned gross floor area of approximately 147,112.70 sq.m. have been approved.
3. Pursuant to a Construction Work Commencement Permit – No. 510101201109230101 issued by Chengdu Urban and Rural Construction Committee in favour of Chengdu Dongtai the commencement of the construction works of the property with a total gross floor area of approximately 147,112.70 sq.m. has been permitted.
4. Pursuant to 354 Exhibition Space Agreements, the retail portions of the property with a total gross floor area of approximately 70,036.27 sq.m. are leased to various tenants for commercial purpose with the expiry date on 31 August 2018 at a total monthly rent receivable as at the valuation date of approximately RMB11,721,000; pursuant to 130 Exhibition Space Agreements, the office portions of the property with a total gross floor area of approximately 27,793.3 sq.m. are leased to various tenants for office purpose with the expiry dates between 28 February 2018 to 7 November 2022 at a total monthly rent receivable as at the valuation date of approximately RMB1,559,000.

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5. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB63 to RMB105 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 6.5% for commercial purpose as the capitalization rate in the valuation.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. Chengdu Dongtai legally owns the land use rights of the property;
 - b. It has not been found any material legal impediment for Chengdu Dongtai in obtaining the Building Ownership Certificate after obtaining the necessary approval and consent according to the relevant laws and regulations, as well as binding contracts and other legal instruments and paying off the relevant stipulated fees.

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VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
52.	Wuhu Minghui Mall No. 58 Tianmenshan East Road Jiujiang District Wuhu City Anhui Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 73,235 sq.m. and two 4-storey (plus one level basement) commercial buildings erected thereon which was completed in December 2011.</p> <p>The property is located at the north part of Tianmenshan East Road and the eastern side of Jiuhua North Road in Jiujiang District. This area is well-served by good facilities and convenient traffic along the main roads. The surrounding environment is a commercial area supported by retail stores and commercial buildings.</p> <p>The property has a total gross floor area of approximately 157,451.99 sq.m. The details are set out as following:</p>	As advised by the Group, the property was rented to various parties as at the valuation date.	784,000,000

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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
			Gross Floor Area (sq.m.)	
		Pavilion 1		
		Basement Level 1	13,332.46	
		Level 1	12,412.495	
		Level 2	12,412.495	
		Level 3	12,412.495	
		Level 4	12,412.495	
		Sub-Total:	62,982.44	
		Pavilion 2		
		Basement Level 1	20,822.57	
		Level 1	18,411.745	
		Level 2	18,411.745	
		Level 3	18,411.745	
		Level 4	18,411.745	
		Sub-Total:	94,469.55	
		Sub-Total:	157,451.99	

The land use rights of the property have been granted for a term expiring on 24 December 2048 for commercial use.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Wu Guo Yong 2011 No.006, the land use rights of the property with a site area of approximately 73,235 sq.m. were granted to Wuhu Minghui Commercial Management Company Limited (“Wuhu Minghui”), an associated company of the Company, for a term expiring on 24 December 2048 for commercial use.
2. Pursuant to 2 Building Ownership Certificates – Wu Jiu Jiang Qu Zi Di No. 2012130224 and Wu Jiu Jiang Qu Zi Di No. 201213058, the property with a gross floor area of approximately 157,451.99 sq.m. is owned by Wuhu Minghui.
3. Pursuant to 421 Exhibition Space Agreements, the property is rented to various parties for commercial purpose with the expiry date on 31 March 2018, and the total monthly rent receivable as at the valuation date is approximately RMB6,524,000.
4. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB54 to RMB63 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 7.5% for commercial purpose as the capitalization rate in the valuation.
5. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:

Wuhu Minghui legally owns the land use rights and building ownership rights of the property.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

Group II – Property interests held under development by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB																
53.	A building known as Tianjin Tanggu Mall under construction located at the southern side of Yunshan Road Binhai New Area Tianjin The PRC	<p>The property comprises a parcel of land with a site area of approximately 52,174.80 sq.m. and a commercial building known as Tianjin Tanggu Mall, portions of which were completed in December 2017. The remaining portions of the property scheduled to be completed in October 2018 were under construction as at the valuation date.</p> <p>The property is located at the southern side of Yunshan Road Binhai New Area and well-served by good facilities and convenient traffic along the main roads.</p> <p>Portions of the property completed has a total gross floor area of approximately 127,724.24 sq.m. The details are set out as following:</p>	<p>As advised by the Group, portions of the property were under construction or vacant as at the valuation date. Remaining portions of the property were rented to various parties.</p>	974,000,000																
		<table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Floor</th> <th style="text-align: right;">Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Basement Level 2</td> <td style="text-align: right;">23,025.80</td> </tr> <tr> <td>Basement Level 1</td> <td style="text-align: right;">22,397.50</td> </tr> <tr> <td>Level 1</td> <td style="text-align: right;">21,520.84</td> </tr> <tr> <td>Level 2</td> <td style="text-align: right;">20,408.30</td> </tr> <tr> <td>Level 3</td> <td style="text-align: right;">20,408.30</td> </tr> <tr> <td>Level 4</td> <td style="text-align: right; border-bottom: 1px solid black;">19,963.50</td> </tr> <tr> <td>Total:</td> <td style="text-align: right; border-bottom: 3px double black;">127,724.24</td> </tr> </tbody> </table>	Floor	Gross Floor Area (sq.m.)	Basement Level 2	23,025.80	Basement Level 1	22,397.50	Level 1	21,520.84	Level 2	20,408.30	Level 3	20,408.30	Level 4	19,963.50	Total:	127,724.24		
Floor	Gross Floor Area (sq.m.)																			
Basement Level 2	23,025.80																			
Basement Level 1	22,397.50																			
Level 1	21,520.84																			
Level 2	20,408.30																			
Level 3	20,408.30																			
Level 4	19,963.50																			
Total:	127,724.24																			

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
		<p>The remaining portions of the property are scheduled to be completed in October 2018. Upon completion, the development will have a total gross floor area of approximately 20,871.25 sq.m.</p> <p>As advised by the Group, the development cost (including the land cost) of the property is estimated to be approximately RMB906,000,000, of which approximately RMB896,000,000 had been paid up to the valuation date.</p> <p>The land use rights of the property have been granted for a term expiring on 23 October 2051 for commercial use.</p>		

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – TJ11112011011 dated 28 July 2011, the land use rights of the property were contracted to be granted to Tianjin Red Star Macalline Home Living and Decorating Plaza Company Limited (“Tianjin Home Furnishing”), a wholly-owned subsidiary of the Company with the particulars as follows:

Site Area	:	52,174.80 sq.m.
Land Use	:	Commercial
Land Term	:	40 years for commercial use
Plot Ratio	:	2.0
Land Premium	:	RMB291,350,000

2. Pursuant to a Construction Land Planning Permit – 2011 Tang Gu Di Zheng No. 0039, permission towards the planning of the aforesaid land parcel with a site area of approximately 52,174.80 sq.m. has been granted to Tianjin Home Furnishing.

3. Pursuant to a State-owned Land Use Rights Certificate – Fang Di Zheng Jin Zi Di No. 107051100813, the land use rights of a parcel of land with a site area of approximately 52,174.80 sq.m. on which the property is situated, have been granted to Tianjin Home Furnishing, for a term expiring on 23 October 2051 for commercial use.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

4. Pursuant to a Construction Work Planning Permit – 2013 Bin Hai Jian Zheng No. 0009 issued by Construction and Planning Bureau of Binhai New Area-Tanggu Branch Tianjin in favour of Tianjin Home Furnishing, the construction works of the property with a total planned gross floor area of approximately 148,939.31 sq.m. have been approved.
5. Pursuant to a Construction Work Commencement Permit – No. 1210731201306006 issued by Construction and Transportation Committee of Binhai New Area Tianjin in favour of Tianjin Home Furnishing, the commencement of the construction works of the property with a total gross floor area of approximately 148,416.00 sq.m. has been permitted.
6. Pursuant to 251 Exhibition Space Agreements, portions of the property with a total gross floor area of approximately 54,826.71 sq.m. are leased to various tenants for commercial purpose with the expiry date on 22 December 2018 for a total monthly rent receivable as at the valuation date of approximately RMB4,651,000.
7. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have compared with similar developments which are located in the similar areas as the subject property. The unit rent of these comparable commercial units range from RMB63 to RMB105 per sq.m. per month. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property.
 - b. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 6.5% for commercial purpose as the capitalization rate in the valuation.
8. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB1,008,000,000.
9. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:
 - a. Tianjin Home Furnishing legally owns the land use rights of the property; and
 - b. Tianjin Home Furnishing has legally obtained the relevant approvals in respect of the development and construction as mentioned in notes 1 to 5. Tianjin Home Furnishing will continue the relevant procedures to obtain the necessary approval and consent according to the relevant laws and regulations, as well as binding contracts and other legal instruments and paying off the relevant stipulated fees.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB																				
54.	2 Buildings known as Harbin Songbei Mall under construction located at the southern side of Zhongyuan Avenue Songbei District Harbin City Heilongjiang Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 64,078.90 sq.m. and 2 commercial buildings known as Harbin Songbei Mall constructed thereon, Block A of which was completed in September 2017. Block B of the property was under construction as at the valuation date and is scheduled to be completed in June 2018.</p> <p>The property is located at the southern side of Zhongyuan Avenue, which is one of the main roads of Songbei District. The property is situated at a developing area, developments in the vicinity are mainly residential projects.</p> <p>Block A of the property completed has a total gross floor area of approximately 182,028.6 sq.m. The details are set out as following:</p>	As advised by the Group, Block B of the property were under construction as at the valuation date. Portions of Block A of the property were rented to various parties and the remaining portions were vacant as at the valuation date.	1,033,000,000																				
			<table border="1"> <thead> <tr> <th style="text-align: center;">Floor</th> <th style="text-align: center;">Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Basement Level 2</td> <td style="text-align: right;">29,347.40</td> </tr> <tr> <td style="text-align: center;">Basement Level 1</td> <td style="text-align: right;">27,636.20</td> </tr> <tr> <td style="text-align: center;">Level 1</td> <td style="text-align: right;">25,006.26</td> </tr> <tr> <td style="text-align: center;">Level 2</td> <td style="text-align: right;">24,319.26</td> </tr> <tr> <td style="text-align: center;">Level 3</td> <td style="text-align: right;">24,616.26</td> </tr> <tr> <td style="text-align: center;">Level 4</td> <td style="text-align: right;">24,328.26</td> </tr> <tr> <td style="text-align: center;">Level 5</td> <td style="text-align: right;">24,884.26</td> </tr> <tr> <td style="text-align: center;">Ancillary</td> <td style="text-align: right; border-top: 1px solid black;">1,890.70</td> </tr> <tr> <td style="text-align: center;">Total:</td> <td style="text-align: right; border-top: 3px double black;">182,028.6</td> </tr> </tbody> </table>	Floor	Gross Floor Area (sq.m.)	Basement Level 2	29,347.40	Basement Level 1	27,636.20	Level 1	25,006.26	Level 2	24,319.26	Level 3	24,616.26	Level 4	24,328.26	Level 5	24,884.26	Ancillary	1,890.70	Total:	182,028.6	
Floor	Gross Floor Area (sq.m.)																							
Basement Level 2	29,347.40																							
Basement Level 1	27,636.20																							
Level 1	25,006.26																							
Level 2	24,319.26																							
Level 3	24,616.26																							
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Level 5	24,884.26																							
Ancillary	1,890.70																							
Total:	182,028.6																							

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
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Block B of the property is scheduled to be completed in June 2018. Upon completion, the development will have a total gross floor area of approximately 57,345.2 sq.m. and the details are set out as following:

Usage	Planned Gross Floor Area <i>(sq.m.)</i>
Commercial	34,437.2
Underground car-parking spaces	22,577.4
Ancillary	330.6
Total:	57,345.2

As advised by the Group, the development cost (including the land cost) of the property is estimated to be approximately RMB1,004,000,000, of which approximately RMB980,000,000 had been paid up to the valuation date.

The land use rights of the property have been granted for a term expiring on 28 January 2052 for other commercial service use.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated on 13 January 2012 and a Supplemental Agreement dated 7 August 2013, the land use rights of the property were contracted to be granted to Harbin Red Star Macalline Shibo Home Furnishing Plaza Company Limited (“Harbin Shibo”), a wholly-owned subsidiary of the Company with the particulars as follows:

Site Area	:	64,078.9 sq.m.
Land Use	:	other commercial service
Land Term	:	40 years
Plot Ratio	:	2.49
Land Premium	:	RMB186,497,300

2. Pursuant to a Construction Land Planning Permit – Ha Gui Cheng (Songbei) Di Zi Di (2012)No. 25 issued by Construction and Planning Bureau of Harbin City in favour of Harbin Shibo, the construction works of the property with a total planned land area of approximately 64,078.9 sq.m. have been approved.
3. Pursuant to a State-owned Land Use Rights Certificate – Ha Guo Yong (2012) Di No. 09007579, the land use rights of a parcel of land with a site area of approximately 64,078.9 sq.m. on which the property is situated, have been granted to Harbin Shibo for a term with the expiry date on 28 January 2052 for other commercial service use.
4. Pursuant to a Construction Work Planning Permit – Ha Gui Cheng (Song Bei) Jian Zi Di No. (2013) 4 issued by Harbin Urban and Rural Planning Bureau Songbei Branch in favour of Harbin Shibo, the construction works of the property with a total planned gross floor area of approximately 239,373.8 sq.m. have been approved.
5. Pursuant to 2 Construction Work Commencement Permits – Nos. 2301092012102401-12 and 2301092013040701 issued by Harbin Urban and Rural Construction Bureau Songbei Branch in favour of Harbin Shibo, the commencement of the construction works of the property with a planned gross floor area of approximately 239,373.80 sq.m. have been permitted.
6. Pursuant to 184 Exhibition Space Agreements, portions of the property with a total gross floor area of approximately 70,077.62 sq.m. are leased to various tenants for commercial purpose with the expiry dates between 3 March 2018 and 27 February 2019, and the total monthly rent receivable as at the valuation date is approximately RMB2,619,000.
7. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB1,100,000,000.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

8. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have compared with similar developments which are located in the similar areas as the subject property. The unit rent of these comparable commercial units range from RMB45 to RMB90 per sq.m. per month. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property.
 - b. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 7.0% for commercial purpose as the capitalization rate in the valuation.
9. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:
 - a. Harbin Shibo legally owns the land use rights of the property; and
 - b. Harbin Shibo has legally obtained the relevant approvals in respect of the development and construction as mentioned in notes 1 to 5. Harbin Shibo will continue the relevant procedures to obtain the necessary approval and consent according to the relevant laws and regulations, as well as binding contracts and other legal instruments and paying off the relevant stipulated fees.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB								
55.	A building known as Kunming Panlong Mall under construction located at the junction of Fengyuan Road and Kunqu Highway Panlong District Kunming City Yunnan Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 35,149.87 sq.m. on which a commercial development was planned to be constructed thereon.</p> <p>The property is located at the junction of Fengyuan Road and Kunqu Highway, Panlong District and well served by good facilities and convenient traffic along the main roads.</p> <p>The development is scheduled to be completed in August 2018. Upon completion, the development will have a total gross floor area of approximately 168,788 sq.m.</p>	As advised by the Group, the property was under construction as at the valuation date.	376,000,000								
		<table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: left;">Usage</th> <th style="text-align: right;">Planned Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Commercial</td> <td style="text-align: right;">119,427</td> </tr> <tr> <td>Underground car-parking spaces</td> <td style="text-align: right; border-top: 1px solid black;">49,361</td> </tr> <tr> <td>Total:</td> <td style="text-align: right; border-top: 3px double black;">168,788</td> </tr> </tbody> </table>	Usage	Planned Gross Floor Area (sq.m.)	Commercial	119,427	Underground car-parking spaces	49,361	Total:	168,788		
Usage	Planned Gross Floor Area (sq.m.)											
Commercial	119,427											
Underground car-parking spaces	49,361											
Total:	168,788											

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
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As advised by the Group, the development cost (including the land cost) of the property is estimated to be approximately RMB919,000,000, of which approximately RMB348,000,000 had been paid up to the valuation date.

The land use rights of the property have been granted for a term expiring on 22 June 2051 for commercial use.

Notes:

1. Pursuant to a Project Cooperation Agreement entered into between Kunming Dianchi Investment Company Limited and Kunming Diken Trade Company Limited (“Kunming Diken”), a 63% interest owned subsidiary of the Company, the land of the property with a site area of approximately 35,149.87 sq.m. was transferred to Kunming Diken.
2. Pursuant to a State-owned Land Use Rights Certificate – Pan Guo Yong (2014) Di No. 00045, the land use rights of a parcel of land with a site area of approximately 36,869.09 sq.m. have been granted to Kunming Diken for a term expiring on 22 June 2051 for commercial use.
3. Pursuant to a Construction Work Planning Permit – Jian Zi Di No. 530101201700025 issued by Planning Bureau of Kunming City in favour of Kunming Diken, the construction works of the property with a total planned gross floor area of approximately 168,788 sq.m. have been approved.
4. Pursuant to a Construction Work Commencement Permit – Jian Zi No. 530102201801170101 issued by Urban and Rural Construction Bureau of Kunming City Panlong District in favour of Kunming Diken, the commencement of the construction works of the property with a total gross floor area of approximately 168,000 sq.m. has been permitted.
5. Pursuant to an Examination and Approval of the public construction project planning conditions of Kunming Municipal Planning Bureau issued on 26 January 2015, the site area of the project was revised to 35,149.87 sq.m.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

6. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have compared with similar developments which are located in the similar areas as the subject property. The unit rent of these comparable commercial units range from RMB60 to RMB80 per sq.m. per month. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property; and
 - b. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 7% for commercial purpose as the capitalization rate in the valuation.
7. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB1,132,000,000.
8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:
 - a. Kunming Diken legally owns the land use rights of the property; and
 - b. Kunming Diken has legally obtained the relevant approvals in respect of the development and construction as mentioned in notes 1 to 5. Kunming Diken will continue the relevant procedures to obtain the necessary approval and consent according to the relevant laws and regulations, as well as binding contracts and other legal instruments and paying off the relevant stipulated fees.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
56.	A building known as Urumqi Shibo Mall under construction located at the eastern side of Huizhan Avenue, the western side of Jingba Road and the northern side of Suzhou Road Shuimogou District Urumqi City Xinjiang Uyghur Autonomous Region The PRC	<p>The property comprises a parcel of land with a site area of approximately 40,028.79 sq.m. on which Urumqi Shibo Mall was being constructed thereon as at the valuation date.</p> <p>The property is located at the eastern side of Huizhan Avenue, the western side of Jingba Road and the northern side of Suzhou Road in Shuimogou District. This area is well-served by good facilities and convenient traffic along the main roads.</p> <p>The development is scheduled to be completed in August 2018. Upon completion, the development will have a total gross floor area of approximately 187,855.97 sq.m.</p>	As advised by the Group, the property was under construction as at the valuation date.	789,000,000
		The details are set out as following:		

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 <i>RMB</i>
		Building	Planned Gross Floor Area <i>(sq.m.)</i>	
		Basement Level 2	21,934	
		Basement Level 1	21,930	
		Level 1	21,675	
		Level 2	20,592	
		Level 3	20,143	
		Level 4	20,143	
		Level 5	19,860	
		Level 6	19,782	
		Level 7	19,845	
		Roof	1,952.97	
		Total:	187,855.97	

As advised by the Group, the development cost (including the land cost) of the property is estimated to be approximately RMB839,000,000, of which approximately RMB694,000,000 had been paid up to the valuation date.

The land use rights of the property have been granted for a term expiring on 15 December 2053 for commercial use.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

Notes:

1. Pursuant to a State-owned Construction Land Use Rights Grant Contract – 65010020130161 dated 26 August 2015 entered into between the State-owned Land Resources Bureau of Urumqi and Urumqi Red Star Macalline Shibo Home Furnishing Company Limited (“Urumqi Shibo”), a wholly owned subsidiary of the Company, the land use rights of the property were contracted to be granted to Urumqi Shibo with the particulars as follows:

Site Area	:	40,028.79 sq.m.
Land Use	:	Commercial and financial use
Land Term	:	40 years
Plot Ratio	:	≤3.6, ≥1.0
Land Premium	:	RMB234,600,000
2. Pursuant to a Construction Land Planning Permit – Di Zi Di No. 650105201501176, permission towards the planning of the aforesaid land parcel with a site area of approximately 40,028.79 sq.m. has been granted to Urumqi Shibo.
3. Pursuant to a State-owned Land Use Rights Certificate – Wu Guo Yong (2016) Zi Di No. 0046164, the land use rights of the property with a site area of approximately 40,028.79 sq.m. were granted to Urumqi Shibo for a term expiring on 15 December 2053 for commercial use.
4. Pursuant to a Construction Work Planning Permit – Jian Zi Di No. 650105201601013 issued by Urban and Rural Planning Administration Bureau of Urumqi City in favour of Urumqi Shibo, the construction works of the property with a total planned gross floor area of approximately 187,855.97 sq.m. have been approved.
5. Pursuant to a Construction Work Commencement Permit – No. 650101201609080101.0168 issued by Construction Committee of Urumqi City in favour of Urumqi Shibo, the commencement of the construction works of the property with a total floor area of approximately 187,855.97 sq.m. has been permitted.
6. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB1,021,000,000.
7. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have compared with similar developments which are located in the similar areas as the subject property. The unit rent of these comparable commercial units range from RMB42 to RMB85 per sq.m. per month. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property
 - b. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 7.0% for commercial purpose as the capitalization rate in the valuation.
8. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:
 - a. Urumqi Shibo legally owns the land use rights of the property; and
 - b. Urumqi Shibo has legally obtained the relevant approvals in respect of the development and construction as mentioned in notes 1 to 5. Urumqi Shibo will continue the relevant procedures to obtain the necessary approval and consent according to the relevant laws and regulations, as well as binding contracts and other legal instruments and paying off the relevant stipulated fees.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
57.	A commercial complex known as Tianfu Shimao Plaza under construction located at the junction of Jiannan Avenue and Muhua Road Tianfu New District Chengdu City Sichuan Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 84,738.40 sq.m. on which a commercial development was constructed thereon.</p> <p>The property is located at the junction of Jiannan Avenue and Muhua Road in Tianfu New District. This area is well-served by good facilities and convenient traffic along the main roads. The surrounding environment is a commercial area supported by retail stores and office buildings.</p> <p>The development is scheduled to be completed in May 2018. Upon completion, the development will have a total gross floor area of approximately 162,826.02 sq.m.</p> <p>As advised by the Group, the development cost (including the land cost) of the property is estimated to be approximately RMB 1,474,000,000, of which approximately RMB540,000,000 had been paid up to the valuation date.</p> <p>The land use rights of the property have been granted for terms expiring on 23 June 2056 for commercial use.</p>	As advised by the Group, the property was under construction as at the valuation date.	552,000,000

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
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Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – 510100-2016-C-009 dated 19 May 2016, the land use rights of the property were contracted to be granted to Chengdu Red Star Macalline Tianfu Shimao Home Living and Decorating Plaza Company Limited (“Chengdu Tianfu”), a wholly-owned subsidiary of the Company with the particulars as follows:

Site Area	:	84,738.40 sq.m.
Land Use	:	Commercial
Land Term	:	40 years for commercial use
Plot Ratio	:	3.50
Land Premium	:	RMB143,632,000

2. Pursuant to a State-owned Land Use Rights Certificate –Chuan (2017) Cheng Tian Bu Dong Chan Quan Di No.0001063, the land use rights of the property with a site area of approximately 84,738.40 sq.m. were granted to Chengdu Tianfu for a term expiring on 23 June 2056 for commercial use.

3. Pursuant to a Construction Land Planning Permit – Di Zi Di No. 510122201622057, permission towards the planning of the aforesaid land parcel with a site area of approximately 143,583.80 sq.m. (including the land use rights of the property) has been granted to Chengdu Tianfu.

4. Pursuant to a Construction Work Planning Permit – Jian Zi Di No. 510122201732055 issued by Construction and Planning Bureau of Chengdu City in favour of Chengdu Tianfu, the construction works of the property with a total planned gross floor area of approximately 162,826.02 sq.m. have been approved.

5. Pursuant to a Construction Work Commencement Permit – No. 510122201706120201 issued by Construction and Planning Bureau of Chengdu City in favour of Chengdu Tianfu, the commencement of the construction works of the property with a gross floor area of approximately 162,826.02 sq.m. has been permitted.

6. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have compared with similar developments which are located in the similar areas as the subject property. The unit rent of these comparable retail units range from RMB63 to RMB90 per sq.m. per month. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property.

 - b. Based on our research on commercial market in the surrounding area of the property, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 6.5% for commercial purpose as the capitalization rate in the valuation.

7. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB1,884,000,000.

8. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:
 - a. Chengdu Tianfu legally owns the land use rights of the property; and

 - b. Chengdu Tianfu has legally obtained the relevant approvals in respect of the development and construction as mentioned in notes 1 to 5. Chengdu Tianfu will continue the relevant procedures to obtain the necessary approval and consent according to the relevant laws and regulations, as well as binding contracts and other legal instruments and paying off the relevant stipulated fees.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
58.	A commercial building known as Changsha Jinxia Mall under construction located at the south eastern side of the junction of Kaifu Avenue and Baiye Road Kaifu District Changsha City Hunan Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 43,695.22 sq.m. and a commercial building known as Changsha Jinxia which was being constructed thereon as at the valuation date.</p> <p>The property is located at the south-eastern side of the junction of Kaifu Avenue and Baiye Road, Kaifu District, Jinxia Economy Development District. This area is well-served by good facilities and convenient traffic along the main roads.</p> <p>The development is scheduled to be completed in December 2019. Upon completion, the development will have a total gross floor area of approximately 116,142.25 sq.m.</p>	As advised by the Group, the property was under construction as at the valuation date.	190,000,000
		Usage	Planned Gross Floor Area <i>(sq.m.)</i>	
		Commercial	87,412.16	
		Underground car-parking spaces	28,730.09	
		Total:	116,142.25	

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
		As advised by the Group, the development cost (including the land cost) of the property is estimated to be approximately RMB561,000,000, of which approximately RMB161,000,000 had been paid up to the valuation date.		
		The land use rights of the property have been granted for a term expiring on 21 October 2056 for commercial use		

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – CRTD20160722001 dated 24 October 2016, the land use rights of the property were contracted to be granted to Changsha Red Star Macalline Jinxia Home Furnishing Plaza Company Limited (“Changsha Jinxia Home Furnishing”), a wholly-owned subsidiary of the Company with the particulars as follows:

Site Area	:	43,695.22 sq.m.
Land Use	:	Commercial
Land Term	:	40 years for commercial use
Plot Ratio	:	2.0
Land Premium	:	RMB117,160,000
2. Pursuant to a State-owned Land Use Rights Certificate – Xiang (2017) Changsha Shi Bu Dong Chan Quan Di No. 0099495, the land use rights of a parcel of land with a site area of approximately 43,695.22 sq.m. have been granted to Changsha Jinxia Home Furnishing, for a term expiring on 21 October 2056 for commercial use.
3. Pursuant to a Construction Land Planning Permit – 2017 Jian Gui Di Di Chu (2017) No. 0032, permission towards the planning of the aforesaid land parcel with a site area of approximately 52,750.14 sq.m. (including land use rights of the the property) has been granted to Changsha Jinxia Home Furnishing
4. Pursuant to a Construction Work Planning Permit – Jian 2 (2017) No. 0167 issued by Construction and Planning Bureau of Changsha in favour of Changsha Jinxia Home Furnishing, the construction works of the property with a total planned gross floor area of approximately 116,142.25 sq.m. have been approved.
5. Pursuant to a Construction Work Commencement Permit – No. 430106201712290201 issued by Construction and Transportation Committee of Changsha in favour of Changsha Jinxia Home Furnishing, the commencement of the construction works of the property with a total gross floor area of approximately 116,142.25 sq.m. has been permitted.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
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6. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have compared with similar developments which are located in the similar areas as the subject property. The unit rent of these comparable commercial units range from RMB75 to RMB120 per sq.m. per month. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property.
 - b. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date, Considering the location, risks and characteristics of the property, we have applied a market yield of 6.5% for commercial purpose as the capitalization rate in the valuation.
7. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB590,000,000.
8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:
 - a. Changsha Jinxia Home Furnishing legally owns the land use rights of the property; and
 - b. Changsha Jinxia Home Furnishing has legally obtained the relevant approvals in respect of the development and construction as mentioned in notes 1 to 5. Changsha Jinxia Home Furnishing will continue the relevant procedures to obtain the necessary approval and consent according to the relevant laws and regulations, as well as binding contracts and other legal instruments and paying off the relevant stipulated fees.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
59.	A logistics park known as Hefei Red Star Macalline Logistics Park under construction located at the northern side of Tielu North Road, the southern side of Xinshijie Road, and the eastern side of Dongfeng Avenue Cuozen Village Feidong Town Hefei City Anhui Province The PRC	<p>The property comprises 2 parcels of land with a total site area of approximately 77,626 sq.m. on which a logistics park was being constructed thereon as at the valuation date.</p> <p>The property is located at the northern side of Tielu North Road, the southern side of Xinshijie Road, the eastern side of Dongfeng Avenue, Cuozen Village, and well served by good facilities and convenient traffic along the main roads.</p> <p>The development is scheduled to be completed in August 2018. Upon completion, the development will have a total gross floor area of approximately 44,332 sq.m.</p> <p>As advised by the Group, the development cost (including the land cost) of the property is estimated to be approximately RMB119,220,000, of which approximately RMB86,312,000 had been paid up to the valuation date.</p> <p>The land use rights of the property have been granted for terms expiring on 18 August 2066 and 20 November 2066 for storage use.</p>	As advised by the Group, the property was under construction as at the valuation date.	96,000,000

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
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Notes:

1. Pursuant to 2 State-owned Land Use Rights Certificates – Wan (2017) Feidong Xian Bu Dong Chan Quan Di No. 001358 and Wan (2017) Feidong Xian Bu Dong Chan Quan Di No. 001360, the land use rights of the property with a total site area of approximately 77,626 sq.m. have been granted to Hefei Red Star Macalline Logistics Co., Ltd. (“Hefei Macalline Logistics”), an indirect wholly owned subsidiary of the Company, for terms expiring on 18 August 2066 and 20 November 2066 for storage use.
2. Pursuant to a Construction Land Planning Permit – Di Zi Di No. 3401222017-01-05, permission towards the planning of the aforesaid land parcels with a total site area of approximately 77,626 sq.m. has been granted to Hefei Macalline Logistics.
3. Pursuant to a Construction Work Planning Permit – No. 340122201706-085 and 340122201706-086 issued by Feidong Town Planning Bureau in favour of Hefei Macalline Logistics the construction works of the property with a total planned gross floor area of approximately 44,332 sq.m. have been approved.
4. Pursuant to a Construction Work Commencement Permit – No. 3401021703270102-SX-001 issued by Housing and Urban and Rural Construction Bureau of Feidong Town Hefei City in favour of Hefei Macalline Logistics, the commencement of the construction works of the property with a total gross floor area of approximately 44,332 sq.m. has been permitted.
5. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have compared with similar developments which are located in the similar areas as the subject property. The unit rent of these comparable logistics development range from RMB20 to RMB25 per sq.m. per month. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property; and
 - b. Based on our research on logistics market in the surrounding area of the property, the stabilized market yield ranged from 5.5% to 8.0% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 7.0% for logistics purpose as the capitalization rate in the valuation.
6. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB156,000,000.
7. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:
 - a. Hefei Macalline Logistics legally owns the land use rights of the property; and
 - b. Hefei Macalline Logistics has legally obtained the relevant approvals in respect of the development and construction as mentioned in notes 1 to 4. Hefei Macalline Logistics will continue the relevant procedures to obtain the necessary approval and consent according to the relevant laws and regulations, as well as binding contracts and other legal instruments and paying off the relevant stipulated fees.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
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VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
60.	A building known as Xining Shibo Mall under construction located at the junction of South Wusi Road and Wenbo Road Haihu New District Xining City Qinghai Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 33,677.63 sq.m. on which Xining Shibo Mall was being constructed thereon as at the valuation date.</p> <p>The property is located at the junction of South Wusi Road and Wenbo Road in Haihu New District. This area is well-served by good facilities and convenient traffic along the main roads. The surrounding environment is a commercial area supported by financial and administration departments and commercial buildings.</p> <p>The development is scheduled to be completed in October 2018. Upon completion, the development will have a total gross floor area of approximately 120,546.66 sq.m.</p> <p>As advised by the Group, the development cost (including the land cost) of the property is estimated to be approximately RMB575,000,000, of which approximately RMB345,000,000 had been paid up to the valuation date</p> <p>The land use rights of the property have been granted for a term expiring on 3 March 2054 for commercial use.</p>	As advised by the Group, the property was under construction as at the valuation date.	370,000,000

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
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Notes:

1. Pursuant to a Cooperation Agreement entered into between Wukuang Property Hunan Development Co., Ltd. (“Wukuang Property”) and the Company, the 100% equity and liability rights of Xining Runling Property Development Co., Ltd., a wholly owned subsidiary of Wukuang Property, have been contracted to be transferred to the Company.
2. Pursuant to an Enterprise Rename Announcement in 2017, the company name of Xining Red Star Macalline Shibo Home Furnishing Company Limited (“Xining Home Furnishing”) has been approved to replace the company name of Xining Runling Property Development Co., Ltd. (“Xining Runling”), a wholly owned subsidiary of the Company.
3. Pursuant to a Construction Land Planning Permit – Di Zi Di Ninghaihu Gui Di Zi No. 2014-011, permission towards the planning of the aforesaid land parcel with a site area of approximately 185,331.54 sq.m. (including the land use rights of the property) has been granted to Wukuang Property and Xining Runling.
4. Pursuant to a State-owned Land Use Rights Certificate – Ning Guo Yong (2014) Di No. 00205, the land use rights of the property with a site area of approximately 33,677.63 sq.m. were granted to Xining Runling for a term expiring on 3 March 2054 for commercial use.
5. Pursuant to a Construction Work Planning Permit – Jian Zi Di Ninghaihu Gui Jian Zi No. 2017-009 issued by People’s Government of Xining City in favour of Xining Runling the construction works of the property with a total planned gross floor area of approximately 120,546.66 sq.m. have been approved.
6. Pursuant to a Construction Work Commencement Permit – Ninghaihu Jianshi Zi (She) No. 2017-019 issued by Administration Committee of Haihu New District in favour of Xining Runling, the commencement of the construction works of the property with a total gross floor area of approximately 120,546.66 sq.m. has been permitted.
7. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have compared with similar developments which are located in the similar areas as the subject property. The unit rent of these comparable commercial units range from RMB60 to RMB80 per sq.m. per month. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property; and
 - b. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 6% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 7% for commercial purpose as the capitalization rate in the valuation.
8. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB781,000,000.
9. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:
 - a. Xining Home Furnishing legally owns the land use rights of the property; and
 - b. Xining Home Furnishing has legally obtained the relevant approvals in respect of the development and construction as mentioned in notes 3 to 6, and will continue the relevant procedures to obtain the necessary approval and consent according to the relevant laws and regulations, as well as binding contracts and other legal instruments and paying off the relevant stipulated fees

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
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VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB														
61.	A building known as Chengdu Tianfu Shibo Mall under construction located at triangle plot surrounded by Tianfu Avenue, Laochengren Road and Dongshan Avenue Tianfu New District Chengdu The PRC	<p>The property comprises a parcel of land with a site area of approximately 29,600.60 sq.m. and a commercial building known as Chengdu Tianfu Shibo Mall which was being constructed thereon as at the valuation date.</p> <p>The property is located at triangle plot surrounded by the Tianfu Avenue, Laochengren Road and Dongshan Avenue, Tianfu New District. The property is well-served by good facilities and convenient traffic along the main roads.</p> <p>The development is scheduled to be completed in August 2019. Upon completion, the development will have a total gross floor area of approximately 144,116.08 sq.m.</p>	As advised by the Group, the property was under construction as at the valuation date.	192,000,000														
		<table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: left;">Usage</th> <th style="text-align: right;">Planned Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Commercial</td> <td style="text-align: right;">88,569.82</td> </tr> <tr> <td>Office</td> <td style="text-align: right;">29,178.82</td> </tr> <tr> <td>Car-parking</td> <td style="text-align: right;">17,726.45</td> </tr> <tr> <td>Underground ancillary</td> <td style="text-align: right;">445.00</td> </tr> <tr> <td>Aboveground ancillary</td> <td style="text-align: right;">8,195.99</td> </tr> <tr> <td>Total:</td> <td style="text-align: right;"><u>144,116.08</u></td> </tr> </tbody> </table>	Usage	Planned Gross Floor Area (sq.m.)	Commercial	88,569.82	Office	29,178.82	Car-parking	17,726.45	Underground ancillary	445.00	Aboveground ancillary	8,195.99	Total:	<u>144,116.08</u>		
Usage	Planned Gross Floor Area (sq.m.)																	
Commercial	88,569.82																	
Office	29,178.82																	
Car-parking	17,726.45																	
Underground ancillary	445.00																	
Aboveground ancillary	8,195.99																	
Total:	<u>144,116.08</u>																	

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
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No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
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As advised by the Group, the development cost (including the land cost) of the property is estimated to be approximately RMB600,000,000, of which approximately RMB181,000,000 had been paid up to the valuation date.

The land use rights of the property have been granted for a term expiring on 23 June 2056 for commercial use.

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract – Chuan (2017) Cheng Tian Real Estate Right No.0045467 dated 19 May 2016, the land use rights of the property were contracted to be granted to Chengdu Red Star Macalline Tianfu Shibo Home Living and Decorating Plaza Company Limited (“Chengdu Tianfu Shibo Home Furnishing”), a wholly-owned subsidiary of the Company with the particulars as follows:

Site Area	:	29,600.60 sq.m.
Land Use	:	Commercial
Land Term	:	40 years for commercial use
Plot Ratio	:	4.0
Land Premium	:	RMB57,870,000

- Pursuant to a Construction Land Planning Permit –Di Zi Di No. 510122201622058, permission towards the planning of the aforesaid land parcel with a site area of approximately 145,115.91 sq.m. (including the land use rights of the property) has been granted to Chengdu Tianfu Shibo Home Furnishing.
- Pursuant to a State-owned Land Use Rights Certificate – Chuan (2017) Chengtian Real Estate Right No. 0045467, the land use rights of a parcel of land with a site area of approximately 29,600.60 sq.m. on which the property is situated, have been granted to Chengdu Tianfu Shibo Home Furnishing, for a term expiring on 23 June 2056 for commercial use.
- Pursuant to a Construction Work Planning Permit – Di Zi Di No. 510122201732119 issued by Construction and Planning Bureau of Chengdu in favour of Chengdu Tianfu Shibo Home Furnishing, the construction works of the property with a total planned gross floor area of approximately 144,116.08 sq.m. have been approved.

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5. Pursuant to a Construction Work Commencement Permit – No. 510122201712130101 issued by Construction and Transportation Committee of Tianfu New Area Chengdu in favour of Chengdu Tianfu Shibo Home Furnishing, the commencement of the construction works of the property with a total gross floor area of approximately 144,116.08 sq.m. has been permitted.
6. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB753,000,000.
7. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have compared with similar developments which are located in the similar areas as the subject property. The unit rent of these comparable retail units range from RMB63 to RMB90 per sq.m. per month; the unit rent of these comparable office units range from RMB50 to RMB80 per sq.m. per month. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property.
 - b. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date, and for office portions, the stabilized market yield ranged from 4% to 6% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 6.5% for retail and 5.5% for office as the capitalization rate in the valuation.
8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. Chengdu Tianfu Shibo Home Furnishing legally owns the land use rights of the property; and
 - b. Chengdu Tianfu Shibo Home Furnishing has legally obtained the relevant approvals in respect of the development and construction as mentioned in notes 1 to 5. Chengdu Tianfu Shibo will continue the relevant procedures to obtain the necessary approval and consent according to the relevant laws and regulations, as well as binding contracts and other legal instruments and paying off the relevant stipulated fees.

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VALUATION CERTIFICATE

Group III – Property interests held for future development by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
62.	A parcel of land known as Tianjin Jinghai Logistics Center located at the eastern side of Chaoyang Road in the International Trade Logistics Park Jinghai District Tianjin The PRC	The property comprises a parcel of land with a site area of approximately 158,634.5 sq.m. on which a logistics center was planned to be constructed thereon. The property is located at the eastern side of Chaoyang Road in the International Trade Logistics Park, Jinghai District, and well served by good facilities and convenient traffic along the main roads.	As advised by the Group, the property was vacant as at the valuation date.	49,000,000
		The land use rights of the property have been granted for a term expiring on 8 January 2067 for storage use.		

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract – TJ10232016008 dated 22 December 2016, the land use rights of the property were contracted to be granted to Tianjin Red Star Macalline Logistics Co., Ltd. (“Tianjin Macalline Logistics”), a 60%-interest owned subsidiary of the Company with the particulars as follows:

Site Area	:	158,634.5 sq.m.
Land Use	:	Storage
Land Term	:	50 years for storage use
Plot Ratio	:	1.5
Land Premium	:	RMB42,900,000

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2. Pursuant to a Real Estate Title Certificate – Jin (2017) Jinghai Qu Bu Dong Chan Quan Di No. 1010603, the land use rights of the property with a site area of approximately 158,634.5 sq.m. have been granted to Tianjin Red Star Macalline Logistics Co., Ltd. (“Tianjin Macalline Logistics”), a 60%-interest owned subsidiary of the Company, for a term expiring on 8 January 2067 for storage use

3. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences of land in the locality which have similar characteristics as the subject property such as nature, use, site area, figure and accessibility of the property. The selected comparables are industrial land located in the area close to the subject property. The unit price of these comparable land sites ranges from RMB280 to RMB350 per sq.m. basis for industrial use. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property.

4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:

Tianjin Macalline Logistics legally owns the land use rights of the property.

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VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
63.	2 parcels of land known as Chongqing Red Star Macalline Logistics Center located at the eastern side of Longan Avenue and between Henger Road and Hengsan Road in the Central Business Zone Shapingba District Chongqing City The PRC	<p>The property comprises 2 parcels of land with a total site area of approximately 248,031 sq.m. on which a logistics center was planned to be constructed thereon.</p> <p>The property is located at the eastern side of Longan Avenue and between Henger Road and Hengsan Road in the Central Business Zone, Shapingba District and well served by good facilities and convenient traffic along the main roads.</p> <p>The land use rights of the property have been granted for a term expiring on 29 June 2067 for storage use.</p>	As advised by the Group, the property was vacant as at the valuation date.	247,000,000

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Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – Yu Di Jiao Yi Gong (2017) No. 38 dated 5 June 2017, the land use rights of the property were contracted to be granted to Chongqing Red Star Macalline Logistics Co. Ltd. (“Chongqing Macalline Logistics”) a wholly owned subsidiary of the Company with the particulars as follows:

Site Area	:	248,031 sq.m.
Land Use	:	Storage
Land Term	:	50 years for storage use
Plot Ratio	:	1.5
Land Premium	:	RMB240,590,000

2. Pursuant to 2 Real Estate Title Certificates – Yu (2017) Shapingba Qu Bu Dong Chan Quan Di No. 001073138 and 001073102, the land use rights of the property with a total site area of approximately 248,031 sq.m. have been granted to Chongqing Red Star Macalline Logistics Co., Ltd. (“Chongqing Macalline Logistics”), a wholly owned subsidiary of the Company, for a term expiring on 29 June 2067 for storage use.
3. Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences of land in the locality which have similar characteristics as the subject property such as nature, use, site area, figure and accessibility of the property. The selected comparables are industrial land located in the area close to the subject property. The unit price of these comparable land sites ranges from RMB750 to RMB1,070 per sq.m. basis for industrial use. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property.

4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal adviser, which contains, inter alia, the following:

Chongqing Macalline Logistics legally owns the land use rights of the property.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

VALUATION CERTIFICATE

**PART B – PROPERTY INTERESTS HELD BY DALIAN RED STAR MACALLINE INVESTMENT
DEVELOPMENT COMPANY LIMITED***

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB																
64.	Dalian Huanan Mall located at the western side of Huadong Road and the northern side of Zhonghua Road Ganjingzi District Dalian City Liaoning Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 42,224.60 sq.m. and a 6-storey commercial building which was completed in June 2011.</p> <p>The property is located at the western side of Huadong Road and the northern side of Zhonghua Road in Ganjingzi District. This area is well-served by good facilities and convenient traffic along the main roads. The surrounding environment is a commercial area supported by retail stores and commercial buildings.</p> <p>The property has a total gross floor area of approximately 112,957.25 sq.m. The details are set out as following:</p> <table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Usage</th> <th style="text-align: right;">Planned Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr><td>Level 1</td><td style="text-align: right;">19,460.74</td></tr> <tr><td>Level 2</td><td style="text-align: right;">17,956.34</td></tr> <tr><td>Level 3</td><td style="text-align: right;">19,119.34</td></tr> <tr><td>Level 4</td><td style="text-align: right;">19,283.94</td></tr> <tr><td>Level 5</td><td style="text-align: right;">18,930.94</td></tr> <tr><td>Level 6</td><td style="text-align: right;">18,205.95</td></tr> <tr><td>Total:</td><td style="text-align: right;"><u>112,957.25</u></td></tr> </tbody> </table>	Usage	Planned Gross Floor Area (sq.m.)	Level 1	19,460.74	Level 2	17,956.34	Level 3	19,119.34	Level 4	19,283.94	Level 5	18,930.94	Level 6	18,205.95	Total:	<u>112,957.25</u>	As advised by the Group, the property was rented to various parties for commercial use as at valuation date.	1,242,000,000
Usage	Planned Gross Floor Area (sq.m.)																			
Level 1	19,460.74																			
Level 2	17,956.34																			
Level 3	19,119.34																			
Level 4	19,283.94																			
Level 5	18,930.94																			
Level 6	18,205.95																			
Total:	<u>112,957.25</u>																			

* Dalian Red Star Macalline Investment Development Company is a connected person (as defined under the Listing Rules) of the Company and indirectly held as to 62% by Chongqing Red Star Macalline Enterprise Development Co., Ltd. and 38% by Dalian Xinhe Wanbang Property Management Co., Ltd., an Independent Third Party.

**APPENDIX IV PROPERTIES VALUATION REPORT OF THE GROUP PREPARED BY JONES
LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED**

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 28 February 2018 RMB
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The land use rights of the property have been granted for a term expiring on 27 March 2051 for commercial use.

Notes:

1. Pursuant to a Real Estate Title Certificate — Liao (2016) Da Lian Shi Nei Si Qu Bu Dong Chan Quan Di No. 00058980, the property with a gross floor area of approximately 112,957.25 sq.m. is owned by Dalian Red Star Macalline Investment Development Company Limited (“Dalian Investment”), a connected person (as defined under the Listing Rules) of the Company and indirectly held as to 62% by Chongqing Red Star Macalline Enterprise Development Co., Ltd. and 38% by Dalian Xinhe Wanbang Property Management Co., Ltd., an Independent Third Party, the land use rights of the property with a site area of approximately 42,224.6 sq.m. were granted to Dalian Investment, for a term date expiring on 27 March 2051 for commercial use.
2. Pursuant to 354 Exhibition Space Agreements, the property is leased to various tenants for commercial purpose with the expiry dates on 15 August 2018 at a total monthly rent receivable as at the valuation date of approximately RMB10,149,000.
3. Our valuation has been made on the following basis and analysis:
 - a. In undertaking our valuation, we have considered the actual rents in the existing exhibition space agreements and also compared with similar developments which are located in the similar areas as the subject property, for the calculation of market rent in considering the reversionary rental income after the expiry of the existing leases for occupied area and the rental income of vacant area;
 - b. The unit rent of these comparable commercial units range from RMB98 to RMB151 per sq.m. per month; and
 - c. Based on our research on commercial market in the surrounding area of the property, for commercial portions, the stabilized market yield ranged from 5.5% to 8% as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 7% for commercial purpose as the capitalization rate in the valuation.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a. Dalian Investment legally owns the land use rights and building ownership rights of the property.
 - b. Pursuant to a Repurchase Framework Agreement dated 15 December 2011 and relevant supplemental agreements, the property was contracted to be repurchased by the Group. As at the Latest Practicable Date, the relevant procedures for the transfer of the property were still underway;
 - c. It has not been found any material legal impediment for the Group in obtaining the real estate title certificates of the property after obtaining the necessary approval and consent according to the relevant laws and regulations, as well as binding contracts and other legal instruments and paying off the relevant stipulated fees.

1. RESPONSIBILITY STATEMENT

This Offer Document includes particulars given in compliance with the Listing Rules and the Codes for the purpose of providing information with regard to the Offer and the Company. All Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Offer Document and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Offer Document have been arrived at after due and careful consideration and there are no other facts not contained in this Offer Document, the omission of which would make any statement in this Offer Document misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were and upon completion of the Offer assuming the Offer is accepted in full will be as follows:

	A Shares		H Shares		Total	
	Number of share	Amount (RMB)	Number of share	Amount (RMB)	Number of share	Amount (RMB)
Shares as at the Latest Practicable Date	2,876,103,969	2,876,103,969	1,062,813,069	1,062,813,069	3,938,917,038	3,938,917,038
Shares proposed to be cancelled under the Offer	–	–	(388,917,038)	(388,917,038)	(388,917,038)	(388,917,038)
Shares upon completion of the Offer and cancellation of the Shares bought-back	<u>2,876,103,969</u>	<u>2,876,103,969</u>	<u>673,896,031</u>	<u>673,896,031</u>	<u>3,550,000,000</u>	<u>3,550,000,000</u>

Except for the currency in which dividends are paid, A Shares and H Shares rank pari passu with each other in all respects with each other.

The Company had no outstanding options, warrants or convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.

There has been no re-organisation of capital of the Company during the two financial years immediately preceding the date of the Announcement.

Dividends have been paid out by the Company to the Shareholders during the two-year period immediately preceding the date of the Offer Document, the details of which are as follows:

Date of Dividend	Amount of Cash Dividend issued <i>RMB'000</i>
29 July 2016	1,703,241
2 August 2017	1,522,045

Depending on the future results and financial position of the Group, the Board may declare dividends as and when they consider appropriate. The Board does not expect the Offer to have any adverse effect on the ability of the Company to pay dividends or on the dividend policy of the Company.

The Company did not buy-back any Shares during the 12-month period immediately preceding the date of this Offer Document.

As at the Latest Practicable Date, the Company had not issued or bought-back any Shares since 31 December 2017, being the date on which the last financial year of the Company ended.

3. MARKET PRICES

The table below shows the closing prices of the H Share on the Stock Exchange on (i) the Latest Practicable Date; (ii) 3 April 2018, being the Last Trading Day; and (iii) the last trading day of each of the calendar months during the Relevant Period.

Date	Closing price per Share <i>HK\$</i>
31 October 2017	9.32
30 November 2017	9.70
29 December 2017	12.66
31 January 2018	10.30
28 February 2018	9.37
29 March 2018	9.19
3 April 2018, being the Last Trading Day	10.02
20 April 2018, being the Latest Practicable Date	10.24

The highest and lowest closing price per H Share as quoted on the Stock Exchange during the Relevant Period were HK\$13.66 per H Share on 16 January 2018 and HK\$8.94 per H Share on 9 February 2018 and 14 February 2018 respectively.

The highest and lowest closing prices of the H Shares as quoted on the Stock Exchange in each of the previous twelve months and up to the Latest Practicable Date are as follows:

	Share Price	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2017		
April	8.76	8.23
May	8.46	8.06
June	8.59	7.83
July	8.42	8.00
August	8.41	7.97
September	9.99	8.50
October	11.04	9.32
November	9.93	9.45
December	12.66	9.77
2018		
January	13.66	10.24
February	10.50	8.94
March	9.95	9.04
April (up to the Latest Practicable Date)	10.94	10.02

4. DISCLOSURE OF INTERESTS

(a) Interests of the Directors or chief executive of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

Interests in the Shares

Name of the Director	Long position/ Short position	Nature of interest	Number of underlying shares held	Approximate percentage in relevant class of Shares ⁽¹⁾	Approximate percentage in total Shares ⁽¹⁾
CHE Jianxing ⁽²⁾	Long position	Interest of controlled corporation	2,480,315,772	86.24%	62.97%
CHEN Shuhong ⁽³⁾	Long position	Interest of spouse	2,480,315,772	86.24%	62.97%

Notes:

- (1) As at the Latest Practicable Date, the Company had 3,938,917,038 issued Shares in total, comprising of 2,876,103,969 A Shares and 1,062,813,069 H Shares.
- (2) Mr. CHE Jianxing indirectly holds 62.97% of the issued Shares in total of the Company through his 92.00% direct interest in Red Star Macalline Holding Group Company Limited (紅星美凱龍控股集團有限公司) (formerly known as “Shanghai Red Star Macalline Investments Company Limited” (上海紅星美凱龍投資有限公司)) (“RSM Holding”, a limited liability company incorporated in the PRC) and is deemed to be interested in the 2,480,315,772 A Shares held by RSM Holding for the purpose of the SFO. The remaining 8.00% in the share capital of RSM Holding is held by the sister of Mr. CHE Jianxing, Ms. CHE Lianfang, who does not hold any H Shares.
- (3) Ms. CHEN Shuhong is the spouse of Mr. CHE Jianxing. Under the SFO, Ms. CHEN Shuhong is deemed to be interested in the same number of Shares in which Mr. CHE Jianxing is interested.

(b) Interests in associated corporations

Name of the Director	Name of		Nature of interest	Equity	Approximate
	Associated Corporation	Long position/ Short position		interest in the Associated Corporation	percentage in the Associated Corporation
CHE Jianxing	RSM Holding ⁽¹⁾	Long position	Beneficial interest	184,000,000	92.00%
CHE Jianfang	RSM Holding ⁽¹⁾	Long position	Beneficial interest	16,000,000	8.00%

Notes:

- (1) RSM Holding is the investment holding company of the Company, which is held as to 92% by Mr. CHE Jianxing and as to 8% by Mr. CHE Jianxing's sister, Ms. CHE Jianfang and therefore an "associated corporation" of the Company within the meaning of Part XV of the SFO. As at the Latest Practicable Date, RSM Holding held 2,480,315,772 A Shares of the Company which accounted for approximately 62.97% of the total issued Shares of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company or persons acting in concert with any of them, had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) were required, pursuant to the Model Code adopted by the Company, to be notified to the Company and the Stock Exchange. Given that none of the persons named above hold H Shares, such persons are not Qualified Shareholders and accordingly will not accept the Offer.

(c) Interests of the Shareholders discloseable pursuant to Part XV of the SFO and the Takeovers Code

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company based on the Register maintained by the Company pursuant to Part XV of the SFO, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have, interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Codes:

Interests in the Shares

Name of Shareholders	Class of Shares	Capacity/Nature of Interest	Number of Shares Interested	Approximate percentage in relevant class of Shares ⁽¹⁾	Approximate percentage in total Shares ⁽¹⁾
RSM Holding	A Shares	Beneficial owner	2,480,315,772	86.24%	62.97%
Warburg Pincus & Co. ⁽²⁾	H Shares	Interest of controlled corporation	301,057,669	28.33%	7.64%
Warburg Pincus Partners GP LLC ⁽²⁾	H Shares	Interest of controlled corporation	301,057,669	28.33%	7.64%
Warburg Pincus Partners, L.P. ⁽²⁾	H Shares	Interest of controlled corporation	301,057,669	28.33%	7.64%
Warburg Pincus Real Estate I GP, LLC ⁽²⁾	H Shares	Interest of controlled corporation	301,057,669	28.33%	7.64%
Candlewood Investment SRL ⁽²⁾	H Shares	Other	196,011,390	18.44%	4.98%
Warburg Pincus Real Estate I L.P. ⁽²⁾	H Shares	Interest of controlled corporation	196,011,390	18.44%	4.98%
Springwood Investment SRL ⁽²⁾	H Shares	Other	105,046,279	9.88%	2.67%
WPRE I Redstar Manager LLC ⁽²⁾	H Shares	Interest of controlled corporation	105,046,279	9.88%	2.67%
WPRE I Redstar, L.P. ⁽²⁾	H Shares	Interest of controlled corporation	105,046,279	9.88%	2.67%
China Lesso Group Holdings Limited ⁽³⁾	H Shares	Interest of controlled corporation	100,000,000	9.41%	2.54%
Fuhui Capital Investment Limited ⁽³⁾	H Shares	Interest of controlled corporation	100,000,000	9.41%	2.54%

Name of Shareholders	Class of Shares	Capacity/Nature of Interest	Number of Shares Interested	Approximate percentage in relevant class of Shares ⁽¹⁾	Approximate percentage in total Shares ⁽¹⁾
New Fortune Star Limited ⁽³⁾	H Shares	Interest of controlled corporation	100,000,000	9.41%	2.54%
UBS Trustees (B.V.I.) Limited ⁽³⁾	H Shares	Trustee	100,000,000	9.41%	2.54%
Wong Luen Hei ⁽³⁾	H Shares	Person who set up a discretionary trust	100,000,000	9.41%	2.54%
Xi Xi Development Limited ⁽³⁾	H Shares	Interest of controlled corporation	100,000,000	9.41%	2.54%
Hong Kong Gree Electric Appliances Sales Ltd.	H Shares	Interest of controlled Corporation	58,358,400	5.49%	1.48%

Notes:

- (1) As at the Latest Practicable Date, the Company had 3,938,917,038 issued Shares in total, comprising of 2,876,103,969 A Shares and 1,062,813,069 H Shares.
- (2) Warburg Pincus Real Estate I, L.P. is the sole quota-holder of Candlewood Investment SRL (“**Candlewood**”). Warburg Pincus Real Estate I, L.P. is 100%-controlled by Warburg Pincus Real Estate I GP, LLC.

WPRE I Redstar, L.P. is the sole quota-holder of Springwood Investment SRL (“**Springwood**”). WPRE Redstar Manager LLC is the general partner of WPRE I Redstar, L.P.. Warburg Pincus Real Estate I GP, LLC is a member of WPRE Redstar Manager LLC.

Accordingly, Warburg Pincus Real Estate I GP, LLC is deemed to be interested in the shareholding interest of each of Warburg Pincus Real Estate I, L.P., Candlewood Investment SRL, WPRE Redstar Manager LLC, WPRE I Redstar, L.P. and Springwood Investment SRL in the Company pursuant to the disclosure requirements under the SFO.

Warburg Pincus Partners, L.P. is a member of Warburg Pincus Real Estate I GP, LLC. Warburg Pincus Partners GP LLC is a general partner of Warburg Pincus Partners, L.P.. Warburg Pincus & Co. is a member of Warburg Pincus Partners GP LLC.

Accordingly, Warburg Pincus & Co. is deemed to be interested in the shareholding interest of each of Warburg Pincus Partners GP LLC, Warburg Pincus Partners, L.P., Warburg Pincus Real Estate I GP, Warburg Pincus Real Estate I, L.P., Candlewood Investment SRL, WPRE Redstar Manager LLC, WPRE I Redstar, L.P. and Springwood Investment SRL in the Company pursuant to the disclosure requirements under the SFO.

- (3) UBS Trustees (B.V.I.) Limited who is the trustee and sole shareholder of Xi Xi Development Limited (“**Xi Xi Development**”) which in turn is the sole shareholder of New Fortune Star Limited (“**New Fortune Star**”) which in turn holds 68.28% of China Lesso Group Holdings Limited (“**China Lesso**”) which in turn is the sole shareholder of Fuhui Capital Investment Limited (“**Fuhui Capital**”). The trust was established by Mr. Wong Luen Hei on 22 March 2017.

Accordingly, UBS Trustees (B.V.I.) Limited is deemed to be interested in the shareholding interest of each of Xi Xi Development, New Fortune Star, China Lesso and Fuhui Capital in the Company pursuant to the disclosure requirements under the SFO.

Save as disclosed, as at the Latest Practicable Date, the Directors and the chief executives of the Company were not aware of any person (other than Directors or chief executives of the Company) who had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Codes.

As at the Latest Practicable Date, none of the abovementioned person has indicated its intention as regards acceptance of the Offer or whether it would vote for or against the resolution in the AGM and/or the Class Meeting(s).

5. DEALINGS IN THE SHARES AND OTHER ARRANGEMENTS

Each of the Company, Mr. CHE Jianxing and their respective concert parties has not bought-back or dealt in any H Shares for the past six months before 4 April 2018, being the date on which the Board approved the proposal relating to the Offer and the date of this announcement, and will not conduct any on-market H Share buy-back from the date of this announcement up to and including the date on which the Offer closes, lapses or is withdrawn, as the case may be.

None of the Company, the Directors and any parties acting in concert with any of them had dealt for value in their relevant shareholdings (as defined in Note 1 to paragraph 5 of Schedule III to the Share Buy-backs Code) during the Relevant Period.

Save as disclosed above and a holding of 363,541,669 H Shares and 5,329,027 A Shares held by CICC on behalf of its clients, as at the Latest Practicable Date, none of the Company, the Directors and any parties acting in concert with any of them were interested in any Shares, convertible securities, warrants, options or derivatives in respect of the Shares nor had they borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance to be pending or threatened against any member of the Group.

7. MATERIAL CONTRACTS

The Group has entered into the following contracts (not being contracts entered into in the ordinary course of business) within two years preceding the date of the Announcement that are or may be material:

1. the Cooperation Agreement dated 14 April 2016 entered into among Hongxing Xizhao Investment Co., Ltd. (紅星喜兆投資有限公司) (“**Hongxing Xizhao**”, a subsidiary held as to 90% by the Company) and Gefei Asset Management Co., Ltd. (歌斐資產管理有限公司) (“**Gefei Asset Management**”) pursuant to which Hongxing Xizhao and Gefei Asset Management agreed to set up funds to make investment in projects managed by Wanjia CO-WIN Asset Management Co., Ltd. (萬家共贏資產管理有限公司);
2. the Cooperation Memorandum on the Joint Establishment of the Hongxing Gaohe Residential and Commercial Real Estate Investment Fund dated 8 July 2016 entered into among the Company and Tianjin Changhe Shareholding Investment Fund Management Company Limited (天津暢和股權投資基金管理有限公司) (“**Tianjin Changhe**”) and the Cooperation Framework Agreement on the Hongxing Gaohe Residential and Commercial Real Estate Investment Fund dated 22 August 2016 entered into among the Company and Tianjin Changhe pursuant to which the Company and Tianjin Changhe agreed to set up a fund to make investment in residential and commercial real estate in major cities or other opportunities with growth potential;
3. the Share Purchase Agreement dated 25 July 2017 entered into among the Company and Zhejiang Mingdu Dongli Trade Company Limited (浙江名都東麗商貿有限公司) (“**Zhejiang Mingdu**”) pursuant to which Zhejiang Mingdu agreed to sell and the Company agreed to acquire 49% equity interests in Red Star Macalline Shibo (Tianjin) Home Furnishing Company Limited (紅星美凱龍世博(天津)家居生活廣場有限公司) for a total consideration of RMB158,431,821.21.

4. the Equity Transfer Agreement dated 28 August 2017 entered into among the Company, Shanghai Red Star Macalline Real Estate Co. Ltd (上海紅星美凱龍置業有限公司) (“**Shanghai Red Star**”), Shanghai Jinshan Red Star Macalline Global Home Furnishing Company Limited (上海金山紅星美凱龍全球家居有限公司) (“**Jinshan Red Star**”) and Shanghai Hongmei Properties Limited (上海洪美置業有限公司) pursuant to which Shanghai Red Star conditionally agreed to sell and the Company conditionally agreed to acquire 100% equity interests in Jinshan Red Star for an aggregate consideration of RMB520,000,000; and
5. the Equity Transfer Agreement dated 30 August 2017 entered into among the Company and RSM Holding pursuant to which the Company agreed to sell and RSM Holdings agreed to acquire 70% equity interests in Shanghai Huangpu Red Star Micro-credit Co., Ltd. (上海黃埔紅星小額貸款有限公司) for a total consideration of RMB140,987,000.

8. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions or advices in this Offer Document:

Name	Qualification
CICC	China International Capital Corporation Hong Kong Securities Limited, a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities
Halcyon	Halcyon Capital Limited, a licensed corporation under the SFO, licensed to carry out Type 6 (advising on corporate finance) regulated activities
Deloitte Touche Tohmatsu Certified Public Accountants LLP (“ DTT ”)	Certified Public Accountants
Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“ JLL ”)	Independent property valuer

CICC, Halcyon, DTT and JLL have given and have not withdrawn their written consent to the issue of this Offer Document with the inclusion herein of their opinions and/or letters, and references to their names, opinions or letters in the form and context in which they respectively appear.

9. GENERAL

- (a) The registered office of the Company is at Suite F801, 6/F, No. 518 Linyu Road, Pudong New District, Shanghai, PRC.
- (b) The registered office of CICC is at 29th Floor, One International Finance Center, 1 Harbour View Street, Central, Hong Kong.
- (c) The registered office of Halcyon is at 11th Floor, 8 Wyndham Street, Central, Hong Kong.
- (d) The English texts of this Offer Document, the forms of proxy for the AGM and the Class Meetings and the Form of Acceptance shall prevail over their respective Chinese texts.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekday (public holidays excepted) at (i) 36/F, Tower 2, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong; (ii) on the website of the Securities and Futures Commission of Hong Kong at www.sfc.hk; and (iii) the website of the Company at (<http://www.chinaredstar.com/EN/>), from the date of despatch of this Offer Document for so long as the Offer remains open for acceptance:

- (a) the articles of association of the Company;
- (b) the letter from the Board, the text of which is set out on pages 7 to 19 of this Offer Document;
- (c) the letter from CICC, the text of which is set out on pages 20 to 28 of this Offer Document;
- (d) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 29 to 30 of this Offer Document;
- (e) the letter of advice from Halcyon, the text of which is set out on pages 31 to 59 of this Offer Document;
- (f) the annual reports of the Company for each of the two years ended 31 December 2016 and 2017;
- (g) the accountants' report on the unaudited pro forma financial information of the Group issued by DTT, the text of which is set out in Appendix III to this Offer Document;

- (h) the property valuation report issued by JLL, the text of which is set out in Appendix IV to this Offer Document;
- (i) the letters of consent referred to in the paragraph headed “Experts and consents” in this appendix; and
- (j) the material contracts referred to in the paragraph headed “Material Contracts” in this appendix.

NOTICE OF THE AGM

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this notice, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this notice.



Red Star Macalline Group Corporation Ltd.

紅星美凱龍家居集團股份有限公司

(A sino-foreign joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1528)

NOTICE OF THE 2017 AGM

NOTICE IS HEREBY GIVEN that the 2017 annual general meeting (the “**AGM**”) of Red Star Macalline Group Corporation Ltd. (the “**Company**”) will be held on Friday, 8 June 2018 at 1:00 p.m. at Huaxia Hall, Shanghai Ship Hotel, No. 4988 Hangnan Road, Nanqiao Town, Fengxian District, Shanghai, People’s Republic of China for the following purposes. Unless otherwise indicated, capitalised terms used in this notice and the following resolutions shall have the same meanings as those defined in the circular of the Company dated 24 April 2018 (the “**AGM Circular**”) of which the notice convening the AGM forms part.

For further details regarding the resolutions numbered 1–13 below, please refer to the AGM Circular.

For further details regarding the resolution numbered 14 below, please refer to the Offer Document.

ORDINARY RESOLUTIONS

To consider and approve:

1. the work report of the Board for 2017;
2. the work report of the Supervisory Committee for 2017;

NOTICE OF THE AGM

3. the final account report for 2017;
4. the financial budget report for 2018;
5. the profit distribution plan for 2017;
6. the annual report and annual results for the year ended 31 December 2017;
7. the re-appointment of Deloitte Touche Tohmatsu Certified Public Accountants LLP as the auditor for the financial report and the internal control auditor of the Company for the year 2018;
8. the remuneration of Directors for 2017;
9. the remuneration of Supervisors for 2017;
10. the amendments to the working rules of the independent non-executive Directors;
11. the amendments to the rules for management of external guarantees; and
12. the amendments to the rules for the management of the related party transactions.

SPECIAL RESOLUTIONS

To consider and approve:

13. the amendments to the procedural rules of the general meetings; and
14. the conditional cash offer (the “**Offer**”) by CICC on behalf of the Company to buy-back up to 388,917,038 H Shares of nominal value of RMB1.00 each in the issued share capital of the Company held by the shareholders of the Company (the “**Shareholders**”) at a price of HK\$11.78 per H Share, subject to the terms and conditions set out in the offer document dated 24 April 2018 and despatched to the Shareholders dated 24 April 2018 together with the accompanying form of acceptance (a copy of which marked “A” has been produced to the meeting and initialled by the

NOTICE OF THE AGM

chairman of the meeting for the purpose of identification) be approved and that any one of the directors of the Company be and is hereby authorized to execute all such documents with or without amendments and to do all such acts and things as he considers desirable, necessary or expedient in connection with or to give effect to any matters relating to or in connection with the Offer including, without limitation, completion of the buy-back of the Shares pursuant to the Offer.

By Order of the Board
Red Star Macalline Group Corporation Ltd.
Guo Binghe
Company Secretary

Shanghai, the PRC
24 April 2018

At the date of this notice, the executive directors are CHE Jianxing, ZHANG Qi, CHE Jianfang and JIANG Xiaozhong; non-executive directors are CHEN Shuhong, XU Guofeng, Joseph Raymond GAGNON and ZHANG Qiqi; and independent non-executive directors are LI Zhenning, DING Yuan, LEE Kwan Hung and QIAN Shizheng.

NOTICE OF THE AGM

Notes:

1. For the purpose of holding the AGM, the register of members of the Company will be closed from Wednesday, 9 May 2018 to Friday, 8 June 2018 (both days inclusive), during which period no transfer of shares can be registered. In order for H Share Shareholders to be qualified to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 8 May 2018 for registration.

The Shareholders whose names appear on the register of members of the Company on Tuesday, 8 May 2018 after close of business are entitled to attend and vote at the AGM.

2. Shareholders who are entitled to attend and vote at the AGM may appoint one or more proxies to attend and vote on their behalves. A proxy need not be a member of the Company.
3. The instrument appointing a proxy must be in writing under the hand of a Shareholder or his attorney duly authorized in writing. If the Shareholder is a legal person, that instrument must be executed either under its seal or under the hand of its director or other attorney duly authorized to sign the same on its behalf.
4. In order to be valid, the proxy form must be deposited, for H Share Shareholders of the Company, to the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not less than 24 hours before the time for holding the AGM. If the proxy form is signed by a person under a power of attorney or other authority, a notarially certified copy of that power of attorney or other authority shall be deposited at the same time as mentioned in the proxy form. Completion and return of the proxy form will not preclude shareholders from attending and voting in person at the AGM or any adjourned meetings should they so wish.
5. Shareholders shall produce their identity documents and supporting documents in respect of the shares of the Company held when attending the AGM. If corporate shareholders appoint authorized representative to attend the AGM, the authorized representative shall produce his/her identity documents and a notarially certified copy of the relevant authorization instrument signed by the board of directors or other authorized parties of the corporate shareholders or other notarially certified documents allowed by the Company. Proxies shall produce their identity documents and the proxy form signed by the shareholders or their attorney when attending the AGM.
6. Shareholders who intend to attend the AGM should complete the reply slip and return it to the office of the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited on or before Saturday, 19 May 2018.
7. The AGM is expected to take for less than half a day. Shareholders attending the AGM shall be responsible for their own travel and accommodation expenses.
8. All voting at the AGM will be conducted by poll.

NOTICE OF THE H SHARE CLASS MEETING

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this notice, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this notice.



Red Star Macalline Group Corporation Ltd.

紅星美凱龍家居集團股份有限公司

(A sino-foreign joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1528)

NOTICE OF THE H SHARE CLASS MEETING

NOTICE IS HEREBY GIVEN that a H Share Shareholders Class Meeting (the “**H Share Class Meeting**”) of Red Star Macalline Group Corporation Ltd. (the “**Company**”) will be held on 8 June 2018 immediately after the conclusion of the A Share Shareholders Class Meeting (the “**A Share Class Meeting**”) at Huaxia Hall, Shanghai Ship Hotel, No. 4988 Hangnan Road, Nanqiao Town, Fengxian District, Shanghai, PRC to consider and, if thought fit, to pass the following resolution:

SPECIAL RESOLUTION

“THAT

the conditional cash offer (the “**Offer**”) by CICC on behalf of the Company to buy-back up to 388,917,038 H Shares of nominal value of RMB1.00 each in the issued share capital of the Company held by the shareholders of the Company (the “**Shareholders**”) at a price of HK\$11.78 per H Share, subject to the terms and conditions set out in the offer document dated 24 April 2018 and despatched to the Shareholders dated 24 April 2018 together with the accompanying form of acceptance (a copy of which marked “A” has been produced to the meeting and initialled by the chairman of the meeting for the purpose of identification) be approved and that any one of the directors of the Company be and is hereby authorized

NOTICE OF THE H SHARE CLASS MEETING

to execute all such documents with or without amendments and to do all such acts and things as he considers desirable, necessary or expedient in connection with or to give effect to any matters relating to or in connection with the Offer including, without limitation, completion of the buy-back of the Shares pursuant to the Offer.”

By Order of the Board
Red Star Macalline Group Corporation Ltd.
Guo Binghe
Company Secretary

Shanghai, the PRC
24 April 2018

At the date of this notice, the executive directors are CHE Jianxing, ZHANG Qi, CHE Jianfang and JIANG Xiaozhong; non-executive directors are CHEN Shuhong, XU Guofeng, Joseph Raymond GAGNON and ZHANG Qiqi; and independent non-executive directors are LI Zhenning, DING Yuan, LEE Kwan Hung and QIAN Shizheng.

NOTICE OF THE H SHARE CLASS MEETING

Notes:

1. For the purpose of holding the H Share Class Meeting, the register of H Share Shareholders of the Company will be closed from Wednesday, 9 May 2018 to Friday, 8 June 2018 (both days inclusive), during which period no transfer of H Shares of the Company can be registered.

In order for H Share Shareholders to be qualified to attend and vote at the H Share Class Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the H Share Registrar of the Company, Computershare Hong Kong Investor Services Limited at Room 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 8 May 2018.

H Share Shareholders whose names appear on the register of members of the Company on Tuesday, 8 May 2018 after close of business are entitled to attend and vote at the H Share Class Meeting.

2. H Share Shareholders who are entitled to attend and vote at the H Share Class Meeting may appoint one or more proxies to attend and vote on their behalves. A proxy need not be a member of the Company.
3. The instrument appointing a proxy must be in writing under the hand of a H Share Shareholder or his attorney duly authorized in writing. If the H Share Shareholder is a legal person, that instrument must be executed either under its seal or under the hand of its director or other attorney duly authorized to sign the same on its behalf.
4. In order to be valid, for H Share Shareholders, the proxy form must be deposited at the H Share Registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 24 hours before the time for holding the H Share Class Meeting. If the proxy form is signed by a person under a power of attorney or other authority, a notarized copy of that power of attorney or other authority shall be deposited at the same time as mentioned in the proxy form. Completion and return of the proxy form will not preclude H Share Shareholders from attending and voting in person at the H Share Class Meeting or any adjourned meetings should they so wish.
5. H Share Shareholders shall produce their identity documents and supporting documents in respect of the shares of the Company held when attending the H Share Class Meeting. If corporate H Share Shareholders appoint authorized representative to attend the H Share Class Meeting, the authorized representative shall produce his/her identity documents and a notarized copy of the relevant authorization instrument signed by the board of directors or other authorized parties of the corporate H Share Shareholders or other notarized documents allowed by the Company. Proxies shall produce their identity documents and the proxy form signed by the H Share Shareholders or their attorney when attending the H Share Class Meeting.
6. H Share Shareholders who intend to attend the H Share Class Meeting should complete the reply slip and return it to the office of the H Share Registrar of the Company, Computershare Hong Kong Investor Services Limited on or before Saturday, 19 May 2018.
7. The H Share Class Meeting is expected to take for less than half a day. H Share Shareholders attending the H Share Class Meeting shall be responsible for their own travel and accommodation expenses.
8. All voting at the H Share Class Meeting will be conducted by poll.